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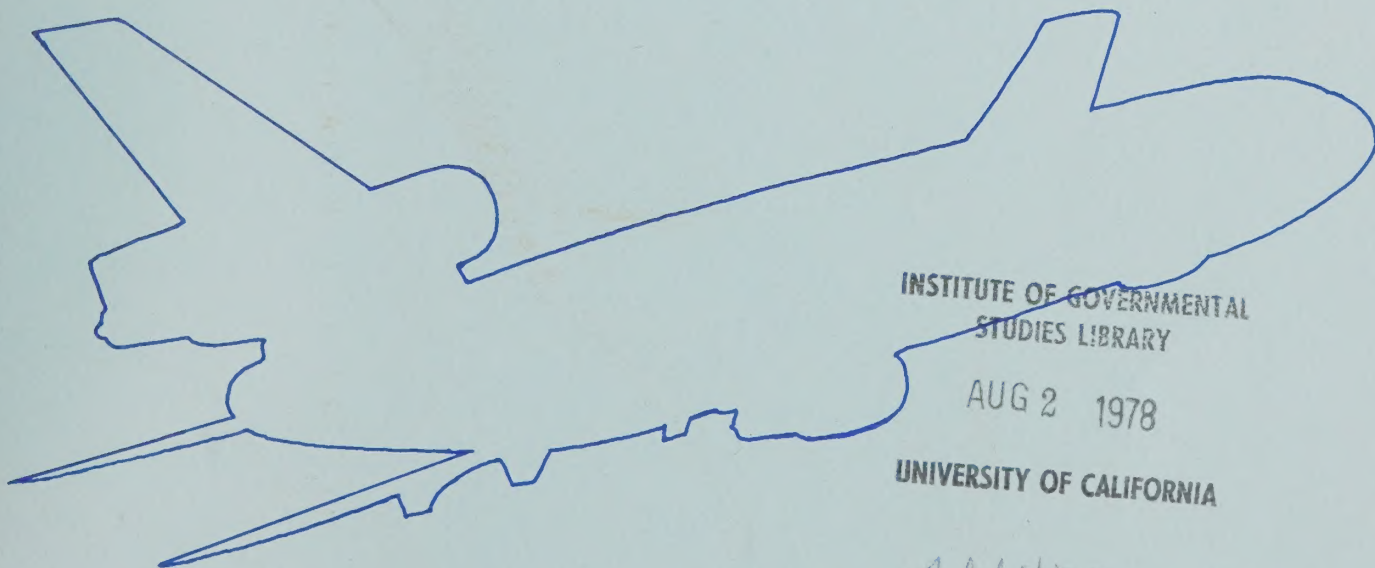
Official Statement

City of San Jose
Santa Clara County, California

\$11,000,000

Airport Revenue Bonds
Series of 1978

no self



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CITY CLERK, CITY HALL, SAN JOSE, CALIFORNIA.**



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CITY OF SAN JOSE
Santa Clara County, California

CITY COUNCIL

Janet Gray Hayes, *Mayor*

Joseph A. Colla

Alfredo Garza, Jr.

Lawrence R. Pegram

David Runyon

James E. Self

Susanne B. Wilson, *Vice Mayor*

Airport Commission

Gabriel Garcia, *Chairman*

Roger Coen

Loren R. McQueen

Stephen W. Michael

Marilyn Nyman

Joseph G. Schumb, Jr.

Paul Whiting

City Staff

Ted Tedesco, *City Manager*

Francis L. Greiner, *City Clerk*

Kent South, *Director of Finance*

Robert J. Logan, *City Attorney*

James R. Mettler, *Director of Aviation*

Professional Services

Orrick, Herrington, Rowley & Sutcliffe, San Francisco

Bond Counsel

Stone & Youngberg Municipal Financing Consultants, Inc., San Francisco

Financing Consultants

Wells Fargo Bank, San Francisco

Fiscal Agent

Chemical Bank, New York

Continental Illinois National Bank and Trust Company, Chicago

Paying Agents

THE DATE OF THIS OFFICIAL STATEMENT IS JULY 18, 1978

78 03957

TO WHOM IT MAY CONCERN:

The purpose of this Official Statement is to supply information to prospective bidders on and buyers of \$11,000,000 City of San Jose Airport Revenue Bonds, Series of 1978.

The material contained in this Official Statement was prepared by Stone & Youngberg Municipal Financing Consultants, Inc., in the capacity of financing consultants to the City and said firm will receive compensation from the City contingent upon the sale and delivery of the Series of 1978 Bonds. Summaries herein presented of the First and Second Supplemental Resolutions, adopted June 1, 1976 and July 18, 1978, respectively, Resolution No. 45333 (the original Resolution adopted March 12, 1974), Official Notice of Sale, Scheduled Airline Operating Agreement and Terminal Building Lease, and engineering, financial and economic data do not purport to be complete, and reference is made to the documents on file in the offices of the City for further information. Statements which involve estimates or opinions, whether or not expressly so described herein, are intended solely as such and are not to be construed as factual reports.

The Official Statement does not constitute a contract with the buyers or holders, from time to time, of the Bonds. The Resolutions, which do constitute such a contract, are available to any prospective bidder from the City on request.

The legal opinion, approving the validity of the Bonds, will be furnished by Orrick, Herrington, Rowley & Sutcliffe, San Francisco, California, Bond Counsel to the City (see "Legal Opinion").

No dealer, broker, salesman or other person has been authorized by the City to give any information or to make any representations other than those contained herein and, if given or made, such other information or representation must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of any offer to buy nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

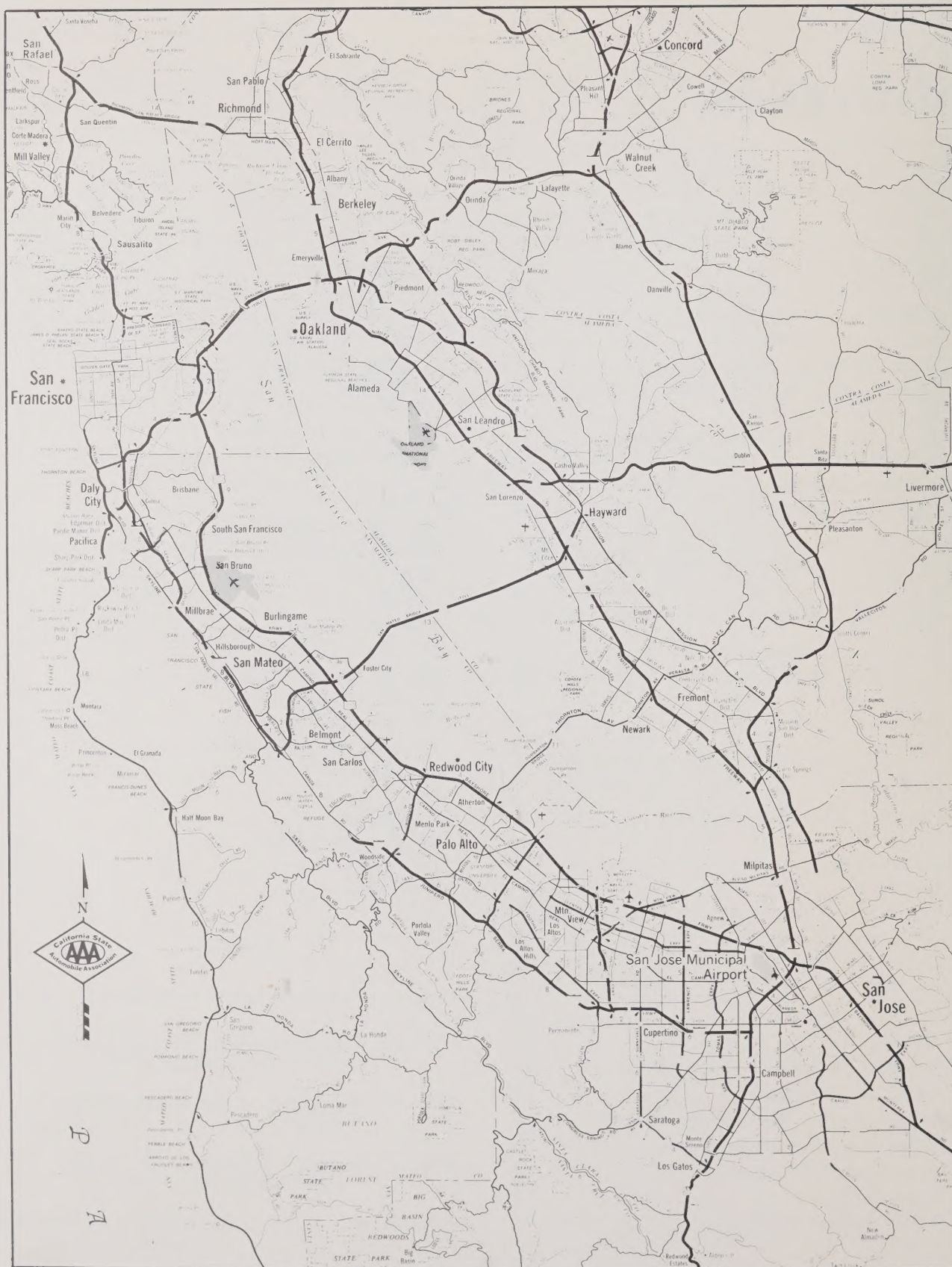
The execution and distribution of this Official Statement have been duly authorized by the City.

July 18, 1978

JANET GRAY HAYES, *Mayor*
CITY OF SAN JOSE, CALIFORNIA

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San Jose and Vicinity.

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INTRODUCTION

San Jose Municipal Airport is the newest of three major airports in the San Francisco Bay Area. The airport serves the most heavily traveled air corridor in the world—the Southern California/Bay Area corridor. Operations commenced at San Jose in 1946 utilizing a 1,900-foot unpaved landing strip and, since that time, it has grown to be one of California's busiest airports. Scheduled air service was inaugurated in 1949. In 1976/77 over 70,200 scheduled air carrier aircraft movements and 2,826,502 air passengers were recorded.

The City of San Jose, a charter city, is one of the oldest cities in the State of California, having been founded in 1777 and incorporated in 1850. Located at the southern extremity of San Francisco Bay, it has become one of the most rapidly developing industrial and residential areas in the state. The San Jose Municipal Airport's growth reflects the growth of the San Jose Metropolitan Area.

The City's present population is estimated to be 587,700, while Metropolitan San Jose is estimated to have 1,222,800 residents. These population figures reflect growth since 1960 of 187 percent and 90 percent, respectively. In 1975, Metropolitan Transportation Commission conducted a survey and reported that Metropolitan San Jose accounted for approximately 17.5 percent of the 20,770,490 air passengers accommodated by Bay Area air carrier airports. The principal stimulus for the continuing growth in the area has been an ever-expanding population, income and employment situation with particular demand for employees in manufacturing and research firms.

At the end of 1977 there were approximately 172,300 manufacturing employees in Metropolitan San Jose. There are more than 1,600 manufacturing firms located in Metropolitan San Jose, among which some of the largest are: Ford Motor Company, Kaiser Cement and Gypsum, General Electric, International Business Machines, FMC Corp., and Hewlett-Packard Co. The largest employer is the Lockheed Missiles and Space Company, presently

employing approximately 19,000 persons. There are more than 60 industries in the area which employ more than 500 persons in their facilities.

The \$11,000,000 of Airport Revenue Bonds, Series of 1978, currently being offered for sale will be used together with anticipated United States Department of Transportation Airport Development Aid Program grants to finance a program of improvements planned through 1979/80. Considerable acquisition of adjacent land and rights in land to reduce the airport's implied environmental impact on the community are the major items within the program. Details of the program are to be found in "The Enterprise" section of this Official Statement.

All the revenues, as defined in the original Resolution providing for the issuance of airport revenue bonds, adopted March 12, 1974, of the Enterprise are pledged to the bonds and the City covenants to maintain net revenues equal to at least 1.25 times annual revenue bond debt service. Additional revenue bonds secured by the same revenues cannot be issued unless a more stringent earnings test (1.35 times maximum annual debt service on all outstanding and additional bonds) and other conditions as specified in this resolution have been met.

Based on projected net revenues of the Enterprise for the three full operating years 1978/79 through 1980/1981, a gross coverage ratio of not less than 16.0 and a net coverage ratio of not less than 1.94 times total annual debt service for all outstanding revenue bonds is anticipated.

As additional security for the bondholders, the following measures have been adopted:

- A Bond Reserve Fund equal to maximum annual debt service is required to be maintained for the life of the bond issue.
- The City is required to transfer to the Fiscal Agent on or before the 10th day of each calendar month an amount equal to one-fifth of the next semi-annual interest payment and to transfer one-tenth of the next payment of principal on the bonds until sufficient money has been accumulated to meet the next succeeding installments of principal and/or interest.

This Official Statement describes the bonds now being offered, the facilities and operating data of the Airport Enterprise, the Scheduled Airline Operating Agreements and Terminal Building Leases, the capital improvement program for the Airport and the economic characteristics of the City of San Jose and adjacent area.

THE BONDS

Authority for Issuance

The \$11,000,000 principal amount of City of San Jose Airport Revenue Bonds, Series of 1978 (herein sometimes called the "1978 Bonds"), are to be issued pursuant to Resolution No. 45333 (the "Resolution") of the City Council of the City of San Jose, adopted March 12, 1974, as amended and Resolution No. 50497 (the "Second Supplemental Resolution") of the City Council of the City of San Jose, adopted July 18, 1978. The 1978 Bonds are being issued on a parity with \$2,835,000 outstanding Airport Revenue Bonds, Series of 1974 and \$3,935,000 outstanding Airport Revenue Bonds, Series of 1976 (herein sometimes called the "1974 Bonds" and the "1976 Bonds" or the "Outstanding Bonds"), which were issued pursuant to the Resolution. The basic authority for the issuance of revenue bonds (the "Bonds" or the "bonds") by the City is provided under Section 1220 of the City Charter and the Constitution of the State of California. Specific authority to issue the revenue bonds is given in Chapter 6F of Article II of the San Jose Municipal Code (commencing with Section 2620.1) which also incorporates the provisions, with certain stated exceptions, of the Revenue Bond Law of 1941 (commencing with Section 54300 of the California Government Code) as it read on December 11, 1973. A copy of the Second Supplemental Resolution which describes the 1978 Bonds and their terms and conditions accompanies this Official Statement.

Any additional Bonds issued on a parity with the 1974, 1976, and 1978 Bonds will require separate authorization. Moreover, the issuance of additional parity bonds is subject to an earnings test as well as to other provisions stated in the Resolution.

Terms of Sale and Delivery

Bids for the purchase of the 1978 Bonds will be received by the City up to the hour of 10:00 a.m. Tuesday, August 15, 1978, at the office of the City

Clerk, City Hall, San Jose, California. Details as to the terms of sale are included in the Official Notice of Sale. Delivery of the 1978 Bonds will be made on Friday, September 1, 1978.

Description of the 1978 Bonds

The 1978 Bonds consist of \$11,000,000 aggregate principal amount, in coupon form, numbered 1 to 2,200, inclusive, each in the denomination of \$5,000, and all dated September 1, 1978. 1978 Bonds will mature in the following amounts on March 1 of the years specified.

SCHEDULE OF MATURITIES

Year	Principal Amount	Year	Principal Amount
1980	\$165,000	1992	\$355,000
1981	175,000	1993	380,000
1982	190,000	1994	405,000
1983	200,000	1995	430,000
1984	215,000	1996	700,000
1985	230,000	1997	745,000
1986	245,000	1998	795,000
1987	260,000	1999	845,000
1988	280,000	2000	850,000
1989	295,000	2001	860,000
1990	315,000	2002	860,000
1991	335,000	2003	870,000

Interest is payable semiannually on March 1 and September 1 of each year. Interest and principal are payable at the principal office of Wells Fargo Bank, the Fiscal Agent, in San Francisco, California, or in the case of coupon bonds, are also payable at the paying agents of the City in Chicago, Illinois and New York, New York.

Redemption Provisions

1978 Bonds due on or before March 1, 1988 (a total principal amount of \$1,960,000) are not subject to redemption before their respective stated maturities. 1978 Bonds due on or after March 1, 1989 (a total principal amount of \$9,040,000) are subject to redemption prior to their respective stated maturities, at the option of the City, as a whole on any date on or after March 1, 1988, or in part on any interest payment date on or after March 1, 1988 in

inverse order of maturities and by lot within any such maturity if less than all of the bonds of such maturity be redeemed, from any source of available funds, at the principal amount thereof and accrued interest thereon to the date fixed for redemption plus a premium as hereinafter set forth. The premium for any bonds redeemed shall be equal to one-quarter of one percent of the principal amount for each year or fraction thereof remaining between the date fixed for redemption and their respective stated maturities, except that such premium will not exceed 3½ % of such principal amount.

Form, Denomination and Registration

The 1978 Bonds will initially be issued as bearer coupon bonds in the denomination of \$5,000. Bearer bonds may be exchanged for fully registered bonds of authorized denominations for a fee of not to exceed \$5.00 per bond, except for the first exchange, which will be free of charge.

Legal Opinion

The legal opinion of Orrick, Herrington, Rowley & Sutcliffe, San Francisco, California, bond counsel for the City of San Jose, attesting to the validity of the 1978 Bonds, will be supplied free of charge to the original purchasers. A copy of the legal opinion, certified by the official in whose office the original is filed, will be printed on each bond without charge to the successful bidder.

Bond Counsel's fee is payable from the proceeds of the bonds and is contingent upon bond delivery, except if the bonds are not issued and the project is abandoned, bond counsel will receive a fee based upon the amount of work performed to said time of abandonment.

Tax Exempt Status

In the opinion of bond counsel, the interest on the Bonds is exempt from all present Federal income taxes (except to the extent that interest may be taxable on any bonds held by a substantial user (or related person) of the facility financed from the proceeds of the bonds within the meaning of Section 103(b) of the Internal Revenue Code) and from State of California personal income taxes under existing statutes, regulations, and court decisions.

Legality for Investment

The State Superintendent of Banks has issued a certificate of eligibility for investment by commercial banks in the state. The certificate, dated July 21, 1978, states that the bonds qualify for investment by commercial banks under Section 1362 of the Financial Code of the State of California and that the bonds are eligible for investment in California by insurance companies and trust companies, and that the bonds may also be used as security for the deposit of public moneys in banks in the State.

Security

The Bonds and the interest thereon are payable from and secured by a pledge, charge and lien on the revenues of the Enterprise. As stated in the Resolution, the Enterprise is generally defined as the entire San Jose Municipal Airport subject to and under the jurisdiction of the Council as the system now exists, together with any future additions, improvements or extensions, including the improvements to be financed by issuance of the 1978 Bonds described in this Official Statement.

Revenues mean all charges received for, and all other income and receipts derived from, the operation of the Enterprise or arising from the Enterprise as defined in the Resolution subject to the following exceptions:

- (1) any money received by or for the account of the City from the levy or collection of taxes,
- (2) moneys received from the State of California and the United States of America and required to be deposited in restricted funds,
- (3) lease deposits and security deposits,
- (4) moneys required to be paid to the State of California and the United States of America pursuant to agreements with the City and
- (5) moneys received from insurance proceeds or the sale of or upon the taking by or under the threat of eminent domain of all or any part of the Enterprise.

The Bonds are revenue bonds and do not constitute a debt of the City of San Jose, nor may any recourse be had for their payment to the taxing power, property or other income of the City.

The City of San Jose covenants that so long as any of the bonds are outstanding it will fix, prescribe, and collect such charges for the services and facilities

of the Enterprise which will yield annual net revenues equal to at least 1.25 times annual bond service requirements. Bond service includes interest, maturing principal and minimum sinking fund payments, when applicable.

Net revenues are defined as the revenues of the Enterprise remaining after payment of necessary and reasonable maintenance and operation costs, including reasonable expenses of management, repair and other expenses necessary to operate, maintain and preserve the Enterprise, but not including depreciation or interest expense.

Seven of the ten trunk airlines currently operating at the San Jose Municipal Airport have entered into operating agreements which contain requirements providing that landing fees will be at least sufficient each year to provide annual total debt service and coverage on outstanding Bonds, plus annual amounts as reimbursement for general obligation bond costs incurred for airport purposes, outstanding airport revenue note and contributions to a discharging capital improvement and replacement fund.

Summary of Scheduled Airline Operating Agreements

The following statements are summaries of certain provisions of the Scheduled Airline Operating Agreement and Terminal Building Lease (herein sometimes called the "Agreement" or "Agreements") entered into by the City and seven airline signatories. Such statements do not purport to be complete and reference is hereby made to the complete text of the Agreements, copies of which are on file and available for examination at the offices of the City.

Seven of the ten regularly-scheduled airlines serving the Airport are signatories to the Agreement. These signatory airlines are Air California, Continental, Delta, Hughes Airwest, PSA, United and Western.

The original term of each of the Agreements is from April 1, 1978 through November 30, 2007. Each Agreement is, however, subject to termination by either the City or the airline under certain conditions specified in the Agreement. The airlines' right to terminate the Agreement in whole or relating to one facility upon thirty days' notice

is subject to the payment in full of the Bonds, or sufficient funds on hand to pay and redeem the Bonds.

Any airline may also terminate the Agreement in its entirety upon vacating all of its facilities and cessation of all of its operations at the Airport. Termination by the airline does not relieve it of any special obligations undertaken in subsequent amendments to the Agreement.

The Agreement provides that the signatory air carriers will pay landing fees in consideration of the rights granted under the Agreement. Current landing fees are computed at the rate of 28 cents per thousand pounds of Maximum Gross Landing Weight of each type of airlines' aircraft. For the various categories of Leased Premises, the airlines pay monthly rental at rates ranging from \$12.50 to \$4.50 per square foot per year.

Both the landing fees and rentals are subject to adjustment annually, with such adjustments to be based upon prescribed terminal requirements and credits, along with airfield requirements and credits.

In addition, the Agreement provides that during its term, if the Airport Revenues are insufficient to pay, when due, all items included in the annual reports or to pay any other expense or cost incidental or necessary to, or arising out of, the operation of the Airport, including without limitation, emergency repairs or expenses, the costs of defending, settling, or satisfying any litigation which relates to the Airport, or any aspect thereof, or to compensate for the loss of Airport Revenue by reason of any labor dispute, the Director of Aviation may, upon notice to and consultation with airline, immediately increase the Landing Fees or Terminal Rentals to such amount as is sufficient to assure that all such items, expenses, and costs shall be paid in full solely from Airport Revenues.

It should be noted that the Agreement does not require the carriers to either individually or as a group maintain any minimum levels of landing weights at the Airport.

A copy of the form of the Agreement may be found in the Legal Documents supplement which accompanies this Official Statement.

To further secure payment of the Bonds, special funds which are listed in following sections have been established and are required to be maintained for the life of the Bonds.

Purpose of Issue

The proceeds of the 1978 Bonds will be used together with anticipated Federal grants to continue a program of land acquisition for approach and clear zone lands and for other related airport purposes which are more fully discussed in the section of this Official Statement entitled "The Enterprise."

Fiscal Agent

Wells Fargo Bank, San Francisco, California, is the fiscal agent for the Bonds. The fiscal agent receives monthly transfers of revenues for payment of bond interest and principal in accordance with the Resolution. In addition to holding and administering the Principal and Interest Funds of the City, the fiscal agent invests such funds. The fiscal agent also acts as paying agent of the City, paying bond interest and principal. Additionally, the fiscal agent acts as bond registrar and will authenticate all registered bonds.

Disposition of Bond Proceeds

The Second Supplemental Resolution provides that the Director of Finance of the City will receive the proceeds from sale of the 1978 Bonds and will apply them as follows:

Interest Fund. The accrued interest and premium, if any, paid by the purchaser of the bonds will be transferred to the fiscal agent for deposit in the Interest Fund.

Bond Reserve Fund. A sum sufficient to increase the fund to the amount of the maximum annual debt service on all outstanding Bonds will be deposited in the Bond Reserve Fund from bond proceeds.

Improvement Fund. The balance of the proceeds are to be placed in the Improvement Fund and used for the purposes for which the bonds were issued. Money in the fund may be invested in bank deposits or in authorized securities maturing not later than the day it is needed. Interest received or other earnings from investment of money in the Improvement Fund will remain in this fund. Any balance remaining in the Improvement Fund after the full accomplishment of the purposes for which the bonds were issued shall be deposited in the Revenue Fund.

Creation of Special Funds

The Resolution provided for the creation of special funds for control of the proceeds of the Bonds and the revenues of the Enterprise. The summary presented below shows the special accounts and also indicates the flow of funds from the Revenue Fund, the amount of initial deposit (if any), and whether investment of money held in the various funds is permissible. All funds listed below, with the exception of the Principal and Interest Funds, are to be established and maintained in the City Treasury. Special aspects of these funds are discussed in subsequent sections of this Official Statement.

AIRPORT REVENUE BONDS

Sources and Flow of Funds

	Amount of Initial Deposit	Priority in Transfer from Revenue Fund	Investment Permitted
Revenue Fund			Yes
Interest Fund	Accrued Interest and Premium	1	Yes
Principal Fund	—	2	Yes
Bond Reserve Fund	Amount Equal to Maximum Annual Debt Service	3 (if required)	Yes
Maintenance & Operation Fund①	—	4	Yes
Surplus Revenue Fund②		5	Yes

① All moneys remaining in the Revenue Fund after transfers to funds having a higher order of priority have been made are available for payment of maintenance and operation costs.

② Surplus Revenues are designated as the residual balance remaining in the Revenue Fund after the required transfers and payments indicated above have been made.

Application of Revenues

Under the terms of the Resolution and Supplemental Resolutions the revenues of the Enterprise are deposited, as received, in the Revenue Fund in the City Treasury, and used only for the purpose set forth below.

Interest and Principal Funds. On or before the tenth day of each calendar month, first an amount equal to one-fifth of the next interest payment on all outstanding bonds and second, an amount equal to one-tenth of the next payment of principal on the bonds is transferred to the fiscal agent and held by the fiscal agent in these funds until sufficient money has been accumulated to meet the next succeeding installments of interest and principal. Moneys in the funds may be invested in bank deposits or in securities maturing not later than the time the money is required.

Bond Reserve Fund. Under the terms of the Resolution, a Bond Reserve Fund equal to the maximum annual debt service was created from 1974 Bond proceeds, and such fund must at all times be maintained in an amount equal to the maximum annual debt service.

The Bond Reserve Fund can be used only to pay principal and interest on the bonds in the event no other funds are available for that purpose, and whenever drawn upon, must be replenished from available revenues following required Interest Fund and Principal Fund deposits. Moneys in the fund may be used to retire the last outstanding bonds of the issues and may be invested in Bank deposits or authorized securities maturing not more than 12 years from the date of purchase. Interest or other earnings obtained by investment of the Bond Reserve Fund will be deemed to be Revenues of the Enterprise and placed in the Revenue Fund.

Maintenance and Operation Fund. After making the transfers required above, on or before the tenth day of each month 1/12th of the amount budgeted for maintenance and operation costs of the Enterprise, as defined in the Resolution, for that fiscal year shall be transferred to the Maintenance and Operation Fund and used to pay maintenance and operation costs.

Surplus Revenue Fund. Any moneys in excess of that required to be transferred as described in the preceding paragraphs, will be treated as surplus revenues and deposited in the Surplus Revenue Fund. Moneys in the Surplus Revenue Fund shall be de-

posited in the following priority in the following special accounts:

A. To deposit in the City of San Jose Revenue Note Account such amounts required by the Second Supplemental Resolution to be so deposited for payment of the City of San Jose Revenue Note, dated June 23, 1966.

B. To deposit in the General Obligation Bonds Account such amounts required by the Second Supplemental Resolution to be so deposited for payment of general obligation bonds of the City sold for airport purposes.

C. To deposit in the City of San Jose Airport Reimbursement Account \$150,000 in each fiscal year until a total of \$2,400,000 has been deposited in such account.

D. To deposit in the Renewal and Replacement Account such amounts as have been budgeted by the City for deposit in such account in such fiscal year. Moneys in such account shall be transferred to an Airport Renewal and Replacement Fund established by the City of San Jose. No deposit shall be made in the Renewal and Replacement Account which would increase the sum of the moneys in said account and in the Airport Renewal and Replacement Fund above \$3,000,000.

E. To deposit in the Outstanding Bond Acquisition Account all remaining surplus revenues until there shall be on deposit in such account an amount equal to the unpaid principal amount of all outstanding Bonds, the aforesaid revenue note and general obligation bonds, the proceeds of which were used for Airport purposes. Moneys in this account shall be used to purchase or redeem prior to maturity outstanding bonds, said revenue note or said general obligation bonds.

All moneys in the Surplus Revenue Fund on the 15th day of the last month of each fiscal year may be transferred to any other fund of the City to be used for any other lawful purpose of the City.

Additional Bonds

The Resolution provides that additional series of parity Revenue Bonds may be issued, if the following conditions have been satisfied:

1. The maturity date of the additional bonds last to mature must not be earlier than the final maturity date of any bonds then outstanding. Additional bonds must mature on March 1 of each year in which principal falls due, and the additional bonds must either

mature serially or be payable from sinking fund payments on or before their respective maturity dates.

2. Either the actual annual net revenues of the Enterprise for the preceding twelve months ending at least 90 days prior to adoption of the supplemental resolution (or the last completed fiscal year), or the actual net revenues together with 75 percent of the estimated additional average annual net revenues for the first twenty-four month period beginning when any improvements are to become operational and revenue producing, must equal at least 1.35 times the combined maximum annual debt service on the outstanding bonds and the additional bonds. The estimate of future annual net revenues must be made by a qualified airport consultant appointed by the City Council.

In addition, the Resolution permits credit for estimated future earnings from increased rates and charges in determining whether additional bonds can be issued, as follows: an allowance will be made for earnings arising from an increase in rates and charges which has become effective prior to the issuance of additional bonds, but which was not in effect for all or part of the latest fiscal year (or, alternatively, the preceding twelve months), in an amount equal to 75 percent of the annualized increased net revenues, as certified by a qualified airport consultant.

3. The Bond Reserve Fund must be increased, if necessary, to an amount equal to the maximum annual debt service on all bonds outstanding, including the additional bonds, in any one fiscal year thereafter.

4. The City must be in compliance under the Resolution at the time of issuance of the additional bonds.

Additional Covenants

Additional covenants contained in the Resolution include the following:

1. To punctually pay or cause to be paid the principal and interest on all bonds issued under the Resolution, solely from revenues, together with any applicable premium, in strict conformity with the terms of the bonds and the Resolution and to observe the covenants of the Resolution.

2. To commence and complete the acquisition and construction of the improvements for which the bonds are issued.

3. To maintain and preserve the Enterprise in good repair and working order from revenues available for such purpose, and operate it efficiently and economically.

4. Not to sell or otherwise dispose of the Enterprise, or any part thereof, except as provided in the Resolution.

If all or any substantial part of the Enterprise is condemned or sold under threat of condemnation, the net proceeds of such award or sale must be applied to the construction and/or acquisition of new facilities or used to retire or redeem outstanding bonds.

5. To pay all lawful claims for labor, materials or supplies, taxes and assessments which, if unpaid, might impair the security of the bonds.

6. To maintain all such insurance against such risks which are usually insured against in connection with similar enterprises. Any insurance proceeds from loss to the Enterprise are to be used to restore it to use. Any excess insurance proceeds shall be transferred to the Revenue Fund.

7. To keep proper books of record and accounts covering the Enterprise and all transactions relating to the Enterprise. These books will be subject at all times during business hours to inspection by holders of not less than ten percent of the outstanding bonds.

To prepare, annually, not more than four months after the close of each fiscal year, a statement showing statement of income, retained earnings and changes in financial position, together with a balance sheet showing the balances in all funds and accounts, together with a certificate or opinion of an independent certified public accountant and a general statement of the physical condition of the Enterprise, and a statement of insurance in force. Copies of these statements will be furnished to any bondholder upon request and will be filed with the fiscal agent.

8. Not to invest the proceeds of the bonds in such a manner which would result in the bonds being taxable "arbitrage bonds" within the meaning of section 103(c), Internal Revenue Code of 1954, as amended.

Amendment of Resolution

The Resolution provides that amendments are permitted by Supplemental Resolution under certain conditions including, among other things, written consent of 60% of the holders of outstanding bonds, but such amendments may not extend the maturity or reduce the interest rate on outstanding bonds, or reduce the percentage of bonds required for written consent or modify the obligations of the fiscal agent or paying agents without their consent.

The Resolution may also be amended without the consent of bondholders, but only for purposes which shall not adversely affect the interests of the bondholders. Such purposes are detailed in Section 8.01 of the Resolution, and reference is made thereto for further details.

Default

Section 9.01 of the Resolution enumerates the events which constitute a "default" including nonpayment of principal or premium, or petition seeking reorganization of the City under bankruptcy laws, or, for a period of 30 days, nonpayment of interest or noncompliance with covenants under the Resolution. In the event of continuance of such default, the holders of not less than a majority in

aggregate principal amount of bonds outstanding shall be entitled to declare the principal and interest of all outstanding bonds due and payable immediately.

Reference is made to Article IX of the Resolution for full details of application of funds upon acceleration of payment, other remedies of bondholders and the right of the Fiscal Agent to take action.

Estimated Annual Bond Service

Table 1 presents an estimate of total annual bond service on the 1978 Airport Revenue Bonds and outstanding Bonds. Bond service on the 1978 Bonds is based on an estimated interest rate of six and one-half percent per annum.

Table 1
CITY OF SAN JOSE AIRPORT REVENUE BONDS
Estimated Annual Bond Service

Year Ending March 1	Projected \$11,000,000 1978 Series				1974 & 1976 Bond Service	Estimated Total Bond Service
	Bonds Outstanding	Principal Maturing	Interest @ 6½ %	Bond Service		
1979	\$11,000,000	\$ —	\$357,500 ^①	\$ 357,500	\$578,717	\$ 936,217
1980	11,000,000	165,000	715,000	880,000	576,993	1,456,993
1981	10,835,000	175,000	704,275	879,275	579,555	1,458,830
1982	10,660,000	190,000	692,900	882,900	576,056	1,458,956
1983	10,470,000	200,000	680,550	880,550	577,877	1,458,427
1984	10,270,000	215,000	667,550	882,550	580,965	1,463,515
1985	10,055,000	230,000	653,575	883,575	583,440	1,467,015
1986	9,825,000	245,000	638,625	883,625	584,415	1,468,040
1987	9,580,000	260,000	622,700	882,700	589,638	1,472,338
1988	9,320,000	280,000	605,800	885,800	593,600	1,479,400
1989	9,040,000	295,000 ^②	587,600	882,600	591,035	1,473,635
1990	8,745,000	315,000 ^②	568,425	883,425	597,450	1,480,875
1991	8,430,000	335,000 ^②	547,950	882,950	597,235	1,480,185
1992	8,095,000	355,000 ^②	526,175	881,175	600,665	1,481,840
1993	7,740,000	380,000 ^②	503,100	883,100	602,215	1,485,315
1994	7,360,000	405,000 ^②	478,400	883,400	607,045	1,490,445
1995	6,955,000	430,000 ^②	452,075	882,075	604,825	1,486,900
1996	6,525,000	700,000 ^②	424,125	1,124,125	345,825	1,469,950
1997	5,825,000	745,000 ^②	378,625	1,123,625	350,550	1,474,175
1998	5,080,000	795,000 ^②	330,200	1,125,200	348,975	1,474,175
1999	4,285,000	845,000 ^②	278,525	1,123,525	351,425	1,474,950
2000	3,440,000	850,000 ^②	223,600	1,073,600	357,575	1,431,175
2001	2,590,000	860,000 ^②	168,350	1,028,350	362,100	1,390,450
2002	1,730,000	860,000 ^②	112,450	972,450	—	972,450
2003	870,000	870,000 ^②	56,550	926,550	—	926,550

① 6 months interest 9-1-78 to 3-1-79.

② Callable on or after 3-1-88.

THE ENTERPRISE

History

The San Jose Municipal Airport had its beginning in 1945, with the lease of approximately 16 acres of farmland from the City to Mr. James M. Nissen, who managed the Airport from that time until his retirement in 1975. Mr. Nissen and his associates formed an operating company which undertook the construction of a 1,900 foot runway, a hangar and office building. Flight operations began a year later, in 1946.

In the fall of 1948, the City assumed the operation of the airport from the private operators. To date, over \$29.7 million has been invested in the airport, with \$10.4 million coming from Federal and State sources. Present facilities include a land area of 1,050 acres, a \$4,000,000 terminal building completed in 1965 and expanded in 1969, 1970 and 1971, maintenance buildings, a 2,600 space at-grade vehicular parking facility, and a F.A.A. tower.

Organization

The operation of the Airport Department of the City of San Jose is under the direction of Mr. James R. Mettler, Director of Aviation. Mr. Mettler was appointed to this position in October, 1975. His past experience includes the positions of airport manager at Mason City, Iowa, El Paso, Texas, and Los Angeles International Airport.

The Airport Department is responsible to the City Manager and consists of 162.7 full-time and part-time personnel in full-time equivalents (FTE). The Department is organized into the Director's Office and three divisions as follows:

Director of Aviation's Office (5.0 positions)

Airport Planning and Development Division (73.5 FTE positions)

Responsible for Airport planning, engineering, and maintenance functions.

Airport Operations and Environmental Compliance Division (72.2 FTE positions)

Responsible for day-to-day operation of the Airport, Airport Security, Aircraft Refuel-

ing Activities, and Compliance with Environmental Controls including Aircraft Noise Measurement and Abatement Programs.

Airport Finance and Administrative Division (12.0 positions)

Responsible for administrative and financial functions of Airport including public parking operations and parking management.

A seven member Airport Commission appointed by the City Council for nonconcurrent four year terms acts in an advisory capacity to both the City Council and Airport Management.

All Airport employees, except 14 management/supervisory positions, are represented by one of four collective bargaining organizations recognized by meet and confer agreements with the City. The Airport has never been closed by employee strikes, and the City does not presently anticipate any strikes of Airport employees.

Air Service

San Jose Municipal Airport is currently served by thirteen airlines. The following tabulation lists the year each airline inaugurated service and a representative list of cities to which each provides single plane service.

SAN JOSE MUNICIPAL AIRPORT

Single Plane Service

AIR CALIFORNIA (October 1967)

Santa Ana, Ontario, San Diego, Sacramento, Palm Springs, Lake Tahoe.

AMERICAN AIRLINES (January 1975)

Dallas and points east.

APOLLO (October 1975)

Commuter Service to Santa Barbara, California.

CONTINENTAL AIRLINES (September 1970)

Portland, Seattle, Ontario, Burbank.

DELTA AIR LINES (June 1976)

Dallas, Atlanta.

HUGHES AIR WEST (February 1949)

Mexico, (Guadalajara, Puerto Vallarta, La Paz, Mazatlan, San Jose del Cabo)

Phoenix, Las Vegas, Tucson, Sacramento, Reno.

NATIONAL AIRLINES (July 1976)

Houston.

NOR-CAL AIRLINES (formerly Cal Air Commuter, January 1976)

Commuter service to San Francisco and Central California cities.

PSA (May 1966)

Los Angeles, San Diego, Burbank, Long Beach.

SWIFT AIRE LINES (July 1969)

Commuter service to smaller California cities.

TWA (July 1975)

Washington, D.C. and Chicago.

UNITED AIRLINES (August 1968)

Denver, New York, Chicago, Philadelphia, Detroit.

WESTERN AIRLINES (June 1970)

Honolulu, Salt Lake City, Minneapolis.

The relative usage of the airport facilities by each of the airlines is demonstrated in the following table by means of comparing Revenue Landed Weight, Fees Paid, Origination and Destination Passengers, and Percent of Total Passengers during the 12-month period from July 1, 1976 through June 30, 1977. PSA represented the largest percentage (40.3%) of total passengers while Air California represented the largest fees paid (\$240,890) due to its greater total landed weight.

Ten Major Airline Users and All Others

1976-77 Revenue Landed Weight, Fees, and Passenger Volume

Carrier	Landed Weight ^① (In 1,000's)	Fees Paid	Origination and Destination Passengers	Percent of Total Passengers
Air California	1,047,350	\$240,890	797,121	28.2%
American	149,698	34,430	100,364	3.6
Continental	255,214	58,699	173,651	6.1
Delta	200,969	46,223	38,524	1.4
Hughes Airwest	290,425	66,798	161,130	5.7
National	95,415	21,945	18,219	0.6
PSA	972,113	223,585	1,137,731	40.3
TWA	121,256	27,889	25,983	0.9
United	421,620	94,903	236,610	8.4
Western	150,171	34,539	101,416	3.6
Other Scheduled Airlines	②	15,772	33,365	1.2
Nonscheduled	③	6,570	2,388	
	3,704,231	\$872,243	2,826,502	100.0%

① Landed Revenue aircraft weight in thousands of pounds reported by the airlines for the twelve-month period July, 1976 through June, 1977.

② Other scheduled airlines include Swift Aire, Calif. Air Commuter (Norcal) and Apollo who operate aircraft weighing less than 12,500 lbs. (maximum gross landing weight). Apollo and Calif. Air were charged flat landing fees prior to March 1, 1977 rather than a fee based on landed weight.

③ Nonscheduled air carriers are charged flat fees for landings.

Source: San Jose Airport Department Records.

Airport Facilities

Passenger services are located in a 141,400 square foot terminal building affording eleven passenger boarding lounges and fourteen aircraft gate positions. Included within the terminal are four rent-a-car agencies, a 10,400 square foot baggage claim wing, a branch bank office, flower, wine and gift shop, newsstand, shoe shine stand, quick bar, two snack bars, a 10,300 square foot restaurant, coffee shop and cocktail lounge. Parking facilities, affording

short and long-term parking, are adjacent to the terminal. Limousine and cab service are available and Airporter Coach operates a scheduled bus service between San Jose Airport and San Francisco International Airport via Peninsula intermediate stops.

The City operates the airport under a certificate issued by the Federal Aviation Administration in conformance with Part 139 of the Federal Aviation Regulations.

The flight area consists of three parallel runways and connecting taxiways. The main runway is 8,900 feet in length, including a 1,475 foot displaced threshold. The runway was overlaid to accommodate 300,000 pound dual tandem wheel loads in 1968 capable of accommodating DC-8 and 707 size aircraft. A modern high-intensity lighting system, radio type instrument landing systems (ILS, VOR) approach light system and TVOR navigation and landing aids, are provided. Smaller aircraft can utilize a 4,400 foot lighted non-instrument runway and the 3,000 foot daylight instruction and touch-and-go training runway. Lighting for the entire flight area, including two runways, all connecting taxiways, approach lights, obstruction lights, lighted wind indicator and loading ramp floodlights, is maintained on a twenty-four hour basis.

The control tower, which is under the direction of the Federal Aviation Administration, operates on a twenty-four hour day, seven days a week basis. A separate air freight facility located in close proximity to the air passenger terminal is utilized by all of the operating airlines, and an airport maintenance facility has been constructed in the area between the general aviation terminal and the airline terminal.

General aviation facilities include 100 T-hangars, 111 aircraft shelters and tiedown space for over

300 aircraft. There are currently over 500 aircraft based in the general aviation area. In addition, approximately thirty parking spaces are provided for itinerant aircraft. The City of San Jose maintains and operates a complete aircraft fueling service with underground fuel storage capacity of over 229,000 gallons. Ten fixed base operators and concessionaires provide aircraft sales, rentals, instruction, maintenance, charter service, and aircraft radio sales.

Air Traffic

The two major air traffic elements which have a significant effect upon airport revenues are enplaning and deplaning passengers and aircraft movements. Air cargo in the future may tend to have more impact on airport revenues than at present. Other air traffic elements such as military aircraft activity and air mail have limited effect on revenues. The following tabulation shows the passenger volumes; scheduled commercial, general aviation and military aircraft movements; and the weight of air mail, air express and air freight handled at the San Jose Municipal Airport for each year since 1972. Included in the tabulation is the volume of aircraft fuel and oil sold.

SAN JOSE MUNICIPAL AIRPORT (Summary of Operations)

	Calendar Year					
	1972	1973	1974	1975	1976	1977
PASSENGER VOLUMES						
Enplaning	937,972	1,019,118	1,069,073	1,151,980	1,330,637	1,526,650
Deplaning	948,429	1,018,888	1,077,084	1,159,335	1,331,503	1,525,517
Total	<u>1,886,401</u>	<u>2,038,006</u>	<u>2,146,157</u>	<u>2,311,315</u>	<u>2,662,140</u>	<u>3,052,167</u>
AIRCRAFT MOVEMENTS						
Carrier	56,241	61,128	58,748	62,144	70,309	70,320
General Aviation	319,665	356,172	355,239	366,890	399,047	412,376
Military	1,725	1,438	1,413	751	794	936
Total	<u>377,631</u>	<u>418,738</u>	<u>415,400</u>	<u>429,785</u>	<u>470,150</u>	<u>483,632</u>
AIR MAIL, AIR EXPRESS & AIR FREIGHT (pounds)						
On	3,902,810	4,085,230	8,028,464	8,893,581	11,215,629	14,448,473
Off	4,482,062	5,494,628	5,823,454	5,860,118	8,986,347	10,280,904
Total Pounds	<u>8,384,872</u>	<u>9,579,858</u>	<u>13,851,918</u>	<u>14,753,699</u>	<u>20,201,976</u>	<u>24,729,377</u>
FUEL SOLD (gallons)						
Fuel	4,069,009	6,166,282	5,526,425	8,027,429	10,481,815	16,380,486
Oil	9,282	10,461	9,565	8,074	7,590	7,834
Total Gallons	<u>4,078,291</u>	<u>6,176,743</u>	<u>5,535,990</u>	<u>8,035,503</u>	<u>10,489,405</u>	<u>16,388,320</u>

Source: San Jose Airport Department Records.

Table 2

SAN JOSE MUNICIPAL AIRPORT

Summary of Revenues and Maintenance and Operating Costs

(As defined in Resolution No. 45333)

Fiscal Year	1968/69 ^①	1969/70 ^②	1970/71 ^③	1971/72	1972/73	1973/74	1974/75 ^④	1975/76	1976/77	1977/78 (10 Mos.)
REVENUES:										
Flight Area	\$ 350,991	\$ 422,208	\$ 456,009	\$ 565,239	\$ 619,233	\$ 715,194	\$ 787,118	\$ 943,066	\$ 968,820	\$ 823,033
Petroleum Products ..	1,026,367	1,185,841	1,036,450	1,126,276	1,486,595	2,052,391	2,809,538	4,065,545	6,187,192	7,093,919
Main Terminal	130,622	215,273	289,070	336,547	402,695	554,147	603,407	806,824	868,741	783,425
Concessions	621,716	783,716	1,005,604	1,245,514	1,378,235	1,539,937	1,592,783	2,169,466	2,448,436	2,407,945
General Aviation ..	186,161	210,465	228,905	275,801	298,349	291,040	303,809	301,364	327,165	259,769
Nonoperating Revenue	125,500	70,494	85,963	90,017	85,461	129,241	220,121	186,146	207,347	215,574
TOTAL REVENUES ..	\$2,441,357	\$2,887,997	\$3,102,001	\$3,639,394	\$4,270,568	\$5,281,950	\$6,316,776	\$8,472,411	\$11,007,701	\$11,583,665
MAINTENANCE AND OPERAT- ING COSTS:										
Flight Area	\$ 29,267	\$ 66,007	\$ 53,385	\$ 82,519	\$ 90,994	\$ 113,480	\$ 134,530	\$ 284,041	\$ 336,475	\$ 391,010
Petroleum Products ..	849,627	1,033,133	855,160	918,473	1,231,477	1,735,577	2,525,544	3,706,643	5,727,630	6,580,543
Main Terminal	163,722	261,319	206,215	286,473	355,199	410,136	686,650	852,541	1,001,026	1,026,967
Concessions	67,327	80,698	124,409	94,537	95,644	132,384	131,964	296,342	362,424	316,377
General Aviation ..	103,312	142,662	99,896	127,661	138,032	155,391	202,131	154,164	175,652	158,371
Nonoperating	62,932	56,847	47,305	30,425	21,251	7,641	11,743	46,089	51,498	9,968
General and Administrative ...	223,652	165,212	449,332	513,993	670,621	907,182	964,192	1,092,471	1,034,106	725,211
Crash/Fire/Rescue ..	—	—	105,000 ^⑤	162,000	156,000	164,000	317,879	357,607	537,277	601,853
TOTAL MAINTENANCE AND OPERATING COSTS	\$1,499,839	\$1,805,878	\$1,940,702	\$2,216,081	\$2,759,218	\$3,625,791	\$4,974,633	\$6,789,898	\$ 9,226,088	\$ 9,810,300
NET REVENUES ..	\$ 941,518	\$1,082,119	\$1,161,299	\$1,423,313	\$1,511,350	\$1,656,159	\$1,342,143	\$1,682,513	\$ 1,781,613	\$ 1,773,365

① United Airlines inaugurated service August 1968.

② Western Airlines inaugurated service June 1970.

③ Continental Airlines inaugurated service September 1970.

④ American Airlines inaugurated service January 1975.

⑤ City policy change in 1970/71 transferred fire protection expense to airport.

Source: San Jose Municipal Airport financial records.

Revenues and Expenses

The information in Table 2 has been summarized by the Airport from its financial records. A copy of the Airport's financial statements for the years ended June 30, 1976 and June 30, 1977, along with the report of certified public accountants, which report was qualified as to the outcome of litigation described on page 21 herein, appears as Appendix A to this Official Statement.

Approximately ninety percent (90%) of the airport gross revenues are derived from four major sources: sale of petroleum products, concessions, flight area use fees and ground and space rentals. The greatest net revenue is realized from flight area use fees and concessions.

Concession revenue accounted for approximately 25 to 30 percent of total revenues between 1968/69 and 1976/77. Concession revenues have increased approximately \$1,200,000 or over 96 percent in the last five years. This increase is directly related to increased air passenger volumes. Auto parking fees from the 2,600 space parking facility and close-in metered stalls provide a large portion of concession revenues at the airport. During fiscal year 1976/77 parking revenues accounted for approximately 62 percent of concession revenues. Parking fees are 25 cents per hour for long term space and 50 cents for short term spaces with a maximum charge of either \$2.00 or \$3.00 per day, depending on the area used.

Scheduled and non-scheduled flight fees have historically generated approximately 10 percent of total airport revenues. Revenue from flight fees is based on the volume of total aircraft weight landed. The current fee, which became effective April 1, 1978, is \$0.28 per thousand pounds of landed weight. Revenues from flight area fees for 1976/77 totaled \$968,820. This amount was approximately 70 percent greater than generated in 1971/72 and can be directly attributed to air passenger growth by scheduled air carriers. Operating agreements with seven of the ten trunk level scheduled airlines serving San Jose provide that terminal space rental and landing fees are subject to adjustment on an annual basis. In addition, adjustment during the fiscal year is provided for in the event of an insufficiency of total airport revenues.

Approximately eight percent of 1976/77 airport revenues were derived from terminal building rentals, leases and services which appear under the category of Main Terminal revenues. This includes building rental to major airlines and charges for providing security and other services.

Over 70 lease agreements have been executed or are pending with airlines, concessionaires and renters on the airport. The following tabulation summarizes some of the major leases, area involved, lease expiration date and minimum annual rent.

SAN JOSE MUNICIPAL AIRPORT—Major Leases

Tenant	Area	Expiration Date	Type of Service	Minimum Annual Rent
Air California ^①	6,352 Sq. Ft.	Nov. 2007 ^③	Airline	\$ 70,139
Air One ^①	2.7 Acres	June 1998	Aviation	8,106
Continental Airlines ^①	3,500 Sq. Ft.	Nov. 2007 ^③	Airline	34,767
Delta Airlines ^①	325 Sq. Ft.	Nov. 2007 ^③	Airline	4,782
FAA (GADO) Land and Buildings	.855 Acres	June 1989	Government	27,875
Hertz Service Site	1.84 Acres	Aug. 1981	Car Rental	8,754
Host International ^②	10,300 Sq. Ft.	Oct. 1993	Restaurant	12,000
Host International Inflight ^②	2.25 Acres	Oct. 1993	Inflight Food	5% of Gross
Hughes Airwest ^①	3,160 Sq. Ft.	Nov. 2007 ^③	Airline	31,822
Lockheed Missiles and Space	740 Sq. Ft.	Aug. 1978	Reservations	5,376
Pacific Southwest Airlines ^①	11,553 Sq. Ft.	Nov. 2007 ^③	Airline	130,133
Specialty Restaurants ^②	.9 Acres	Feb. 2004	Restaurant	18,000
Standard Oil Fuel Storage	.38 Acres	Sept. 1985	Aviation Fuel	3,125
Standard Oil Service Station	.74 Acres	June 1983	Auto Service	14,400
United Airlines ^①	8,000 Sq. Ft.	Nov. 2007 ^③	Airline	80,878
Western Airlines ^①	3,143 Sq. Ft.	Nov. 2007 ^③	Airline	30,638
Westwarehouses	1.2 Acres	July 1979	Air Freight	6,218
Seven Net Land Leases ^①	—	Various	Aviation	20,152
Revocable Permits	—	—	Aviation	11,516
Total Minimum Annual Rent (above tenants)				\$518,681

① Annual Rate Revision Provision. ② Additional Rent payable on sales or volume. ③ Subject to 30-day termination clause.

Aviation Forecast

There are presently three air carrier airports with significant passenger activity in the nine county San Francisco Bay Area. (Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Solano, and Sonoma). The Air Transport Association (ATA) published a summary of scheduled air passenger enplanement growth for Bay Area airports in October, 1975 indicating that annual passenger volume at these airports will be approximately 34 million by the year 1984.

The Metropolitan Transportation Commission, successor to the Association of Bay Area Governments on transportation matters in the Bay Area, published Bay Area passenger projections in December, 1975 indicating 1986 Bay Area passenger volume to be 32 to 38 million annual passengers. The Airport Consultant Firm of Peat, Marwick, Mitchell & Co. is under contract with the City of San Jose to complete a comprehensive Airport Master Plan, Economic and Financial Management Study. The Aviation Activity Forecasts element of this in-process study indicates that originating interstate and intrastate passenger enplanements in the Bay Area should approximate 15 million in 1987. This figure represents true originating Bay Area passengers on domestic flights only. Connecting and international passengers are excluded. They forecast that approximately 2,570,500 or 17 percent of this Bay Area volume will board flights at San Jose Municipal Airport. San Jose is also forecast to accommodate approximately 85,000 enplanements by connecting air passengers during that year. Passenger forecasts appearing in this Official Statement were derived from projection curves reflecting the air passenger forecasts of Peat, Marwick, Mitchell & Co.

During August, 1975, the Metropolitan Transportation Commission conducted an air travel survey at Bay Area airports. The preliminary report indicates that over 25 percent of Bay Area residents interviewed originated their air trip in Santa Clara County.

Table 3, the Distribution of Bay Area Passenger Volume, illustrates the greater percentage rate of growth occurring at San Jose, as compared to the other Bay Area Airports. Of the 1,265,501 total passenger increase from 1976 to 1977 314,461 were represented by San Jose. This growth represented a 12.5 percent increase at San Jose, while San Francisco showed a 5.3 increase and Oakland a 2.1 percent increase.

The Metropolitan Transportation Commission plan for future development recommends distribution of future air passenger growth among the three existing airline airports, and further recommends that air carrier service be initiated in one of the North Bay counties. The plan recommends that San Jose Municipal Airport be developed to accommodate six to seven million air passengers by the year 1987. Existing air passenger facilities at the Airport are accommodating over 3 million passengers annually with parking and roadway congestion causing the most notable inconvenience.

In May, 1976 the City contracted the services of the Airport consulting staff of Peat, Marwick, Mitchell & Co. to conduct an in-depth two and one-half year Airport Economic and Planning Management Program. Reports to be produced include an Airport master plan, a passenger terminal complex master plan, a first phase five to seven year Capital Improvement Program, and a recommended financial plan. The program is being partially funded under a Department of Transportation Airport Planning Grant.

Table 3
DISTRIBUTION OF BAY AREA PASSENGER VOLUME
(Scheduled Air Carriers Only)
Years Ended June 30^①

	1976 Passenger Volume		1977 Passenger Volume		Increase Over 1976	% Increase Over 1976
	Number	% of Total	Number	% of Total		
San Francisco ^②	17,061,158	78.6	17,967,856	78.2	906,698	5.3%
San Jose	2,512,041	11.6	2,826,502	12.3	314,461	12.5%
Oakland ^②	2,141,034	9.8	2,185,376	9.5	44,342	2.1%

^① Figures derived from monthly activity reports of each airport.

^② Includes helicopter service.

Projected Revenues and Expenses

The Airport Department has estimated operating revenues and operating expenses of the Enterprise for fiscal years ending June 30, 1978 through June 30, 1983 as shown in Table 4. Based on this projected analysis of net revenues of the Enterprise, a gross coverage ratio of not less than 16.01 and a net coverage of not less than 1.94 times total annual debt service for the 1974, 1976 and 1978 Bonds is anticipated. Future bond sales during fiscal years 1980 through 1983 have also been included in principal amounts as follows:

1980	\$5,000,000
1981	\$5,000,000
1982	\$3,000,000
1983	\$3,000,000

Sales are assumed to take place in the Spring of the year shown at an estimated average interest rate of 6.5 percent with interest only payments for the first year.

The projected revenues and expenses are based upon the formulas used in presenting total Airport revenues and operating expenditures to airlines in the rate adjustment process of the Scheduled Airline Operating Agreement and Terminal Building Lease.

Landing Fees and Terminal Building Space Rental Revenues were determined for fiscal years 1978-79 through 1982-83 by using the residual cost methods of Section 9.04 of the Agreement. Revenues for fiscal year 1977-78 are based on actual revenues through January, 1978 (seven months) adjusted for the three months under the Agreement. Landing fee revenues projected for fiscal year 1978-79 have been reduced by \$418,000 to reflect credit for a revenue surplus which occurred during fiscal year 1977-78 (Section 9.08 of Agreement). Terminal rentals are forecast to increase in fiscal year 1979-80 in response to requests from airlines for additional operating space. Additional passenger boarding lounge space is budgeted for construction during fiscal year 1978-79.

Terminal Building Area Revenue sources include: nonairline space rental; fees levied for custodial and trash services (facilities), passenger screening armed guard services, and utility cost recovery; and terminal concessions excluding auto parking. The major contributor (70%) is concession rent based on percent of gross sales to the traveling public. An average annual growth rate of 17.7% has been used to reflect passenger growth, price inflation and addition of a fifth car rental concession-

aire during fiscal year 1978-79. Passenger volume is forecast to increase at average annual rates between 7.8% and 8.3% during the period covered. Inflation is forecast at 7 percent per year. Concession bid procedures are in process involving all terminal concession rights except food and beverage. Interest in bidding has been expressed by a significant number of qualified firms. Nonairline terminal space rental will be adjusted for inflationary cost factors annually. Terminal modifications to accommodate five car rental concessionaires will result in increased rental income reflecting added space leased and amortization of remodeling costs.

Airfield Revenues from other than signatory airline landing fees are derived from: other air carrier landing fees; General Aviation airfield area use fees, itinerant aircraft parking fees, and percentage rental from in-flight catering. During the last three years revenues in this category have increased at an average annual rate of 25.6 percent. An average annual growth rate of 8.5 percent has been used to forecast revenues from these sources through fiscal year 1982-83.

Parking and Roadway Area Revenue sources consist of public auto parking, metered short term parking, and fees paid by terminal building employees for use of card key controlled facilities. The major source is the 2,600 space public parking lot representing 93 percent of forecast 1977-78 revenue. During the last three years revenues from this source have grown at an average annual rate of 33 percent. An average annual growth rate of 14 percent has been used for the next five years. Public parking rates have not changed since June, 1975 when the daily maximum was increased by 50 cents and weekly maximums were removed. Hourly rates were not changed. One thousand spaces were added in August, 1975 and approximately 700 spaces are programmed for construction prior to Fall 1978. A second addition of about the same size is planned for fiscal year 1981-82.

Parking meter revenue is forecast to increase at an average annual rate of two percent through 1982-83.

Other Cost Center Areas Revenues are derived from General Aviation (58%) and nonaviation (42%) sources. Gross revenues from these sources during the last three years have increased at an average annual rate of five percent. An annual growth rate of 4.6 percent has been used for the forecast period.

Table 4

SAN JOSE MUNICIPAL AIRPORT

PROJECTED REVENUES AND MAINTENANCE AND OPERATION COSTS

(As defined in Resolution No. 45333)

Fiscal Years 1977/78 Through 1982/83

	1977/78	1978/79	1979/80	1980/81	1981/82	1982/83
REVENUES						
Airline Rates & Charges						
Landing Fees	\$ 886,000	\$ 1,076,000	\$ 1,571,000	\$ 1,564,000	\$ 1,549,000	\$ 1,358,000
Terminal Rental	430,000	387,000	400,000	400,000	400,000	400,000
Total Airline	\$ 1,316,000	\$ 1,463,000	\$ 1,971,000	\$ 1,964,000	\$ 1,949,000	\$ 1,758,000
OTHER REVENUES						
Terminal Building	\$ 1,583,000	\$ 1,817,000	\$ 2,108,000	\$ 2,380,000	\$ 2,689,000	\$ 3,039,000
Airfield Area	211,000	222,000	238,000	254,000	273,000	292,000
Parking & Roadway	1,735,000	1,914,000	2,076,000	2,284,000	2,512,000	2,764,000
Other Cost Centers	532,000	533,000	565,000	591,000	619,000	636,000
Petroleum Products	9,600,000	12,614,000	16,382,000	21,188,000	26,712,000	33,252,000
Total Other Revenues	\$13,661,000	\$17,100,000	\$21,369,000	\$26,697,000	\$32,805,000	\$39,983,000
Total Revenues	\$14,977,000	\$18,563,000	\$23,340,000	\$28,661,000	\$34,754,000	\$41,741,000
EXPENDITURES						
Direct Expense						
Terminal Building	\$ 1,217,000	\$ 1,508,000	\$ 1,634,000	\$ 1,739,000	\$ 1,860,000	\$ 1,969,000
Airfield Area	970,000	1,129,000	1,301,000	1,387,000	1,482,000	1,579,000
Parking & Roadway	503,500	539,000	611,000	652,000	688,000	740,000
Other Cost Centers	275,000	320,000	360,000	382,000	407,000	434,000
Total Direct Expense	\$ 2,965,500	\$ 3,496,000	\$ 3,906,000	\$ 4,160,000	\$ 4,437,000	\$ 4,722,000
Cost of Petroleum Sales ..	\$ 8,900,000	\$11,841,000	\$15,407,000	\$19,978,000	\$25,322,000	\$31,654,000
Indirect Expense						
Gen. & Admin. Expense	\$ 876,500	\$ 1,037,000	\$ 1,187,000	\$ 1,268,000	\$ 1,345,000	\$ 1,439,000
Total Operating Expense ..	\$12,742,000	\$16,374,000	\$20,500,000	\$25,406,000	\$31,104,000	\$37,815,000
Estimated Net Revenue Available for Bond Service	\$ 2,235,000	\$ 2,189,000	\$ 2,840,000	\$ 3,255,000	\$ 3,650,000	\$ 3,926,000
1974, 1976 and 1978 Series Estimated Total Bond Service	\$ 582,700	\$ 1,056,000	\$ 1,457,000	\$ 1,459,000	\$ 1,459,000	\$ 1,459,000
Gross Revenue Coverage ..	25.70	17.57	16.01	19.64	23.82	28.61
Net Revenue Coverage ...	3.83	2.07	1.94	2.23	2.50	2.69
Estimated Total Bond Service①	\$ 582,700	\$ 1,410,000	\$ 1,624,300	\$ 2,020,700	\$ 2,355,300	\$ 2,571,900
Estimated Passenger Volume						
High②	3,270,000	3,520,000	3,750,000	4,000,000	4,250,000	4,500,000
Low③	3,165,000	3,200,000	3,475,000	3,750,000	4,030,000	4,280,000

① Includes a total of \$16,000,000 additional bonds to be sold from 1980 through 1983.

② High forecast figures represent low forecast volumes adjusted to reflect average trend during fiscal years 1974/75 through 1976/77.

③ Low forecast figures represent interpolation of passenger volumes forecast by the Airport consulting firm, Peat, Marwick, Mitchell & Co., as a part of the in-process Airport Analysis and Implementation Program (Master Plan, Economic and Financial Management Study).

Estimated revenues and expenses for 1977/78 are based on annualized year-to-date results through the first seven months of the fiscal year. Revenue estimates for 1978/79 are based on nonairline rates and fees now in effect and current flows of income per air passenger movement. Airline terminal rental and landing fee revenues are based on calculations derived from the Agreement. Air passenger volumes were obtained from the sources given in Table 4. Revenues derived from passenger flow (concessions in terminal building and parking and roadway areas) are based on projected passenger volumes. Parking and roadway revenue includes additions to available parking lot capacity during fiscal years 1978/79 and 1981/82 but assumes no change from current parking rates. Concession revenues are based upon percent of gross sales. Rentals include estimated increases reflecting price inflation. The projections do not take into account possible changes in the economic condition of the Country or Bay Area region affecting air travel, cost, and availability of aviation fuels or the financial condition of airline companies using the airport. A further discussion of the future operations of the air carriers begins on the next page. Main terminal revenues from other than concessions and airline space are based on current rental rates adjusted to reflect increased rent-a-car space to be added during fiscal year 1978/79 and adjustments to service fees to reflect anticipated increases in the cost of providing such services. Increased revenue through renegotiation of space rental rates during the forecast period has not been assumed. The following tabulation lists major existing tenants for which leases are pending and under consideration including tenants, area, and current annual rent.

Gross revenues from petroleum products sales include sales to both retail (general aviation) and airline contract customers. Retail prices are subject to federal price controls which permit retailer pass-through of product supplier cost increases realized. Projected revenues and expense include estimated product cost increases averaging 4 cents per gallon per year. Taxes collected from retail customers and reported to Federal and State agencies are also included. Estimated revenues include gross margin or mark-up of product over cost in accordance with current Federal regulations. Cost of petroleum sales

includes anticipated additions to staffing required to handle the forecast volumes of fuel sales. Payroll costs are based on estimated wage increases averaging 6 percent per year. Nonpayroll handling expenses include anticipated increases averaging 7 percent per year.

Other cost center revenues include income derived from land and building rental to general aviation users and rentals and interest income from nonaviation uses of airport owned land and resources.

Nonoperating revenue includes rental income from: farming activities on airport lands; use of surplus land for nonaviation oriented activities; and interim use of land acquired to reduce noise impact.

Estimated expenses for 1978/79 are based on the proposed maintenance and operation budget for the Airport as submitted to the seven signatory airlines for review, in conformance with Article IX of the Scheduled Airline Operating Agreement and Terminal Building Lease. Cost estimates for succeeding years are based on anticipated payroll cost increases averaging 6 percent and nonpayroll cost increases averaging 7 percent. All estimated expenses include additional personnel to accommodate forecast growth in passenger volume, fuel sales volume and grounds area added to Airport maintenance responsibility by the land acquisition program.

General and administrative expense includes normal management, administrative and promotion expenses.

A substantial number of Airport concessionaires continue to occupy terminal area space without formal leases. The bidding process has begun to award concession privileges to five car rental firms, one more than now operating in the terminal. A formal policy has been adopted by the City covering award of concession privileges in the terminal and the Airport Commission has adopted concessionaire eligibility criteria. Awards to firms providing news/gift, travel insurance, display advertising, and public parking lot management services are anticipated within the next fiscal year. Concession agreements awarded will be for 3 to 5 year terms with fixed rates for terminal and grounds rental and percentage fees with annual guarantees for concession privileges.

SAN JOSE AIRPORT TENANTS WITHOUT EXECUTED LEASE AGREEMENTS AS OF JUNE, 1978

Tenant	Area	Annual Rent	Type of Service
American Airlines	1,400 Sq. Ft.	\$ 12,822	Airline
Avis (terminal)①	318 Sq. Ft.	54,678②	Car Rental
Avis (service site)	0.975 Acres	4,249	Car Rental
Budget (terminal)①	351.5 Sq. Ft.	52,620②	Car Rental
Budget (service site)	0.975 Acres	4,151	Car Rental
First National Bank	540 Sq. Ft.	3,674	Bank
Hart & Johnson①	37,293 Sq. Ft.	20,000	Advertising
Hertz (terminal)①	538 Sq. Ft.	57,878②	Car Rental
Marchese Farms	250 Acres	15,458	Farming
Mercury International	78.5 Sq. Ft.	6,294	Insurance
National Airlines	290 Sq. Ft.	3,697	Airline
National Car Rental (terminal)①	612 Sq. Ft.	54,657②	Car Rental
National (service site)	0.967 Acres	4,283	Car Rental
Skyline Candy and Gifts①	1,880 Sq. Ft.	50,191	News/Gift Shop
Trans World Airlines	1,170 Sq. Ft.	9,929	Airline
TOTAL ANNUAL RENTAL		\$354,581	

① Minimum guarantee shown. Additional rent payable on sales volume.

② Amount shown includes rental for auto parking outside of building.

Air Carrier Information

The extent to which the trunk air carriers using the Airport, individually or collectively, are able to meet their financial obligations under their agreements with the City affects the sufficiency of Revenues for the payment of the Bonds. Each of the air carriers (or their respective parent corporations) with the exception of Air California and Hughes Air West is subject to the informational requirements of the Securities Exchange Act of 1934 and in accordance therewith files reports and other information with the Securities and Exchange Commission (the "Commission"). Certain information, including financial information, as of particular dates concerning the air carriers (or their respective parent corporations), is disclosed in certain reports and statements filed with the Commission. Such reports and statements can be inspected at the Public Reference Room of the Commission at 1100 L Street, N.W., Washington, D.C., and copies of such reports and statements can be obtained from the Commission at prescribed rates. In addition, each air carrier is required to file periodic reports containing certain financial and operating statistics with the CAB. Such reports can be in-

spected in the Public Reference Room of the CAB, 1825 Connecticut Avenue, N.W., Washington, D.C., and copies of such reports can be obtained from the CAB at prescribed rates.

General Factors Affecting the Industry

From time to time, the air transport industry as a whole has suffered relatively serious financial reverses. Slow traffic growth in many areas; increased competition among air carriers; increased fuel, labor, equipment and other costs; governmental restrictions on fares which can be charged; and substantial increases in the requirements for and the cost of debt capital have combined in some recent years to reduce profits materially or, in some cases, to cause losses of unprecedented size. These developments have often occurred at a time when large expenditures have been required for new flight equipment. Many of the factors have adversely affected air carriers. Moreover, the operating and financial leverage present in the air transport industry means that small changes in revenues or expenses generally produce much larger changes in profits or losses.

Traffic

An air carrier's financial performance can be significantly affected by periodic fluctuations in traffic levels. These traffic levels and, accordingly, an air carrier's results of operations are highly sensitive to general economic trends applicable to the economy as a whole. Any general weakness in consumer spending usually means a softening in vacation and other personal travel with a resulting decline in air travel. Also, a softening in business spending usually results in a decline in business air travel.

Environmental Regulation

The FAA has jurisdiction over flying operations generally, including personnel, aircraft, ground facilities and other technical matters, as well as certain environmental matters. Effective January 1, 1977, FAA regulations require that the turbo-jet aircraft having a gross weight in excess of 75,000 pounds of all domestic scheduled air carriers meet, in increments by 1985, new noise standards previously applicable only to newly-manufactured aircraft. The cost of modification or replacement of aircraft required to meet those standards would be substantial. If full compensating fare or other appropriate relief in connection with the implementation of those or other regulations adopted in the future is not obtained, the costs associated with those regulations would adversely affect air carriers' financial condition.

Deregulation

The United States Congress is considering legislation to deregulate the U.S. air transportation industry. Although the structure of the U.S. airline industry could change with the deregulation, it is not possible to forecast the actions that would be taken by the U.S. airline industry and their effect on the Airport and the area served by it.

Capital Improvement Program

Public hearings in December, 1972 and January, 1973 considered a proposed Airport Capital Improvement Program covering the five-year period from 1972/73 through 1976/77. At the conclusion of those hearings, the City Council decided to hold airport expansion to a minimum until the effect of airport operation on the community environment could be measured and evaluated in line with applicable State and Federal standards concerning noise levels and air quality. Acquisition and installation of a noise monitoring system was

completed in November, 1973 and has been operated continuously in conformance with California Airport Noise Law criteria.

Air quality monitoring was conducted at the San Jose Municipal Airport during 1974 and 1975 by the Bay Area Air Pollution Control District under contract with the City. From the results of the monitoring alone, the District was unable to determine the relative contribution of airport-related sources to the air quality of the San Jose air basin, due primarily to limitations of applicable technology and to the fact that monitoring necessarily took place adjacent to two major freeways which were themselves sources of air pollutants. A functional data base was developed from the monitoring effort, however, and although the results were conclusive only in demonstrating that air quality was poor and that U.S. air quality standards were exceeded frequently (conditions which occur throughout the air basin) this data will provide a useful basis for further analyses.

Air quality monitoring and analysis is an integral part of the in-process Airport Planning Management Program undertaken by Peat, Marwick, Mitchell & Co. under contract with the City, and more definitive determinations of the air quality impact of the Airport will be produced as a part of that program. The results of that analysis will form part of the basis of environmental impact evaluations required to be considered by the City Council, by the Federal Aviation Administration, and by other federal, state, regional and local agencies as a condition of future project approvals, grants and airport layout plan revision approval.

A proposed Five Year Capital Improvement Program for Airport development covering the fiscal years 1978/79 through 1982/83 is now under consideration by the City in accordance with provisions of the City Charter. The proposed Airport Program includes: \$30 million for land and air rights acquisitions; \$4.7 million for landing area and aircraft parking apron construction; \$1.2 million for auto parking and Airport access improvements; \$275,000 for passenger terminal development; and \$740,000 for purchase of operating equipment for the Airport and miscellaneous land and facility improvements. Resources are anticipated from proceeds from the sale of the 1978 Airport Revenue Bonds, future sales of revenue bonds in 1980 through 1983, United States Department of Transportation Airport Development Aid Program ("DOT ADAP")

grant funds, and the Renewal and Replacement Fund Requirement of the airline rate base, which fund is derived from transfers from the Surplus Revenue Fund, up to a balance of three million dollars. However, no assurances can be given that revenue bonds can be sold in future years or that DOT ADAP grants will be received or that the DOT ADAP program will be continued by Congress.

Proceeds from the sale of the 1978 Bonds together with anticipated United States DOT ADAP funds will be used to continue the acquisition of approximately 800 residential parcels located in the approach and clear zone south of the Airport. The project includes relocation assistance and land clearing.

CAPITAL IMPROVEMENT PROGRAM FOR FISCAL YEAR 1978-79

SOURCE OF FUNDS

Beginning Fund Balances ^①	\$ 2,285,000
Sale of Series of 1978 Bonds (after bond reserve fund deposit, anticipated discount and costs of issuance)	9,800,000
Federal and State Grants ^②	3,590,000
Transfers from Airport Operations	556,000
Sale of Assets ^③	270,000
Interest Income	450,000
Total Resources	<u>\$16,951,000</u>

USE OF FUNDS^④

Land and Air Rights Acquisition	\$ 7,000,000
Flight Area Improvements	2,176,000
Auto Parking, Access and Traffic Control	900,000
Terminal Building Improvements	360,000
Master Planning and Engineering	199,000
Enterprise Operating Equipment	149,000
Other Capital Improvements	167,000
Total Expenditures	<u>10,951,000</u>
Year End Fund Balances ^⑤	6,000,000
Total Use of Funds	<u>\$16,951,000</u>

① Forecast balances in three Airport Capital Improvement Funds on July 1, 1978.

② On July 1, 1978, six Federal Grants (ADAP) with outstanding balances totalling over \$2 million were still open and in process. The City anticipates two ADAP Grants totalling approximately \$3.3 million will be executed during fiscal year 1978-79. Reimbursement receipts of approximately \$3.6 million are anticipated from these sources during fiscal year 1978-79.

③ Existing structures acquired during the land acquisition program are sold at public auction for relocation to vacant residential use property away from the Airport.

④ *Land and Air Rights Acquisition* is a continuation of the City's program to eliminate residential uses within the approaches to the Airport.

Flight Area Improvements include reconstruction of runway and taxiway pavements used by all classes of aircraft, and design and engineering work associated with projects programmed for construction during the next fiscal year (1979-80).

Auto Parking, Access and Traffic Control projects include expansion of surface parking lot facilities for use by the public, paving storage area for car rental concession use, installation of traffic control signals and improvements to parking lot access and layout to reduce traffic congestion.

Terminal Building Improvements include remodeling of the car rental concession area to accommodate increased business volume and a fifth concessionaire, construction of building to provide two additional passenger boarding lounges and associated baggage claim facilities and miscellaneous other terminal modifications to accommodate tenants and the public.

Master Planning and Engineering provides funds for continuation of the in-process Airport Economic and Planning Management Program, and for an evaluation of the capabilities of the Airport's noise monitoring system to assemble and produce additional data useful in planning and noise abatement programs.

Enterprise Operating Equipment provides funds for acquisition of equipment replacements and additions used by the Airport Department for Airport operating and maintenance programs.

Other Capital Improvements includes installation and relocation of remote noise monitoring sites, landscaping projects in land acquisition areas after obstruction removal and miscellaneous land improvements necessary to develop Airport land for lease or rentals.

Environmental clearance was obtained on the land acquisition program in October, 1974. Other projects are subject to environmental clearance. An "exempt" or "negative" declaration is anticipated for the majority of the projects described, but environmental impact reports may be required on the parking projects.

⑤ A forecast year-end balance of \$10,000 in the Airport's Special Aviation Fund will be held for a future eligible project under State of California aviation grant guidelines. The remaining year-end balances will fund fiscal year 1979-80 Land and Air Rights Acquisition.

Aviation Fuel Allocation

The cost of fuel to air carriers has increased substantially in recent years, and can be expected to increase in the future. In addition, restrictions on the availability of fuel have occurred from time to time and may occur again in the future. Further increases in the cost of fuel or restrictions on its availability could adversely affect the operations of air carriers.

The Emergency Petroleum Allocation Act of 1973, signed by the President on November 7, 1973,

required the allocation of crude oil, residual fuel oil, and refined petroleum products. Subsequently, a fuel allocation plan for the nation was established by the Federal Energy Administration (Department of Energy). Aviation gasoline and aviation turbine fuels are presently allocated on a mandatory basis to wholesale purchasers. Amounts allocated to the various categories of aviation fuel users are set forth in the regulations (effective January 1, 1975) as follows:

Aviation Fuel Allocation Plan (Department of Energy)

1. Air carriers are to receive 100% of base period volume, including requirements for crew training and proficiency flying.

2. Wholesale purchasers, resellers, and suppliers are to receive 100% of their allocation requirements, with those not subject to an allocation fraction receiving first priority.

3. Users of aviation fuels for emergency aviation services, safety and mercy missions, energy production flying, telecommunications flying, agricultural production flying, Department of Defense, and aircraft manufacturing are to receive 100% of current requirements, except that aircraft manufacturing is not to exceed 130% of base period volume.

4. Users of aviation fuel for business flying, public aviation, personal flying, instructional flying, air travel club flying, and non-flying uses are to receive 100% of current requirements, subject to an allocation fraction.

Airport Litigation

Three suits for damages that have been filed by plaintiffs owning property in areas located generally to the south of the San Jose Municipal Airport are now pending. The suits allege damages arising out of inverse condemnation and other causes of action on account of noise, vibration, smoke and other disturbances.

In the case of *Bellarmino College Preparatory v. City of San Jose*, damages were sought for damage to property of the plaintiff for approximately \$8,690,000. The trial judge found in favor of the City, and the case is now being appealed by the plaintiff.

Two other owners of commercial property in the south approach area have filed suit seeking to recover property damages in the amounts of approximately \$700,000 and \$200,000, respectively. No trial has yet been held on these two lawsuits.

All other noise litigation discussed in the Official Statements of the City prepared in connection with the issuance of the 1974 Bonds and the 1976 Bonds has been settled or dismissed at minimal cost.

California Noise Standards

The California Division of Aeronautics is continuing to implement the California Noise Act's provisions relating to airports. The act establishes a requirement that airport noise impact on residential areas be reduced in stages by 1986, using any available noise control methodology. Along with several other major California airports, San Jose has not met the second stage noise impact reduction requirement that is currently applicable; it requested and obtained a variance from the requirement for one year and is requesting a variance for a further year. An administrative hearing will be held on the request, and another one year variance subject to conditions may result, with further one year variances being permitted under the Act until requirements are met. The cost of compliance with the Act cannot yet be estimated because a program therefor has not been adopted; however, the City's proposed Five Year Capital Improvement Program includes \$30 million for land and air rights acquisitions designed to reduce the noise impact. Due to the uncertain state of the law in this area, the City cannot determine the consequences of any failure to receive any required noise variance.

CITY FINANCIAL DATA

The City of San Jose uses the facilities of Santa Clara County for the assessment and collection of ad valorem property taxes for city purposes. City taxes are collected at the same time and on the same tax rolls as are county and school district taxes. Assessed valuations of properties are the same for both city and county taxing purposes. The California State Board of Equalization reports the 1977/78 Santa Clara County valuations to average 21.9 percent of full value except for public utility property, which is assessed at 25 percent of full cash value by the state.

Tax Limitation—Initiative Constitutional Amendment

At the June 6, 1978 statewide election, the voters approved Proposition 13, a measure entitled "Tax Limitation—Initiative Constitutional Amendment," commonly known as the "Jarvis-Gann Initiative."

The office of the Attorney General provided the following summary of the measure for the election:

"TAX LIMITATION—INITIATIVE CONSTITUTIONAL AMENDMENT. Limits ad valorem taxes on real property to 1% of value except to pay indebtedness previously approved by voters. Establishes 1975-1976 assessed valuation base for property tax purposes. Limits annual increases in value. Provides for reassessment after sale, transfer, or construction. Requires $\frac{2}{3}$ vote of Legislature to enact any change in state taxes designed to increase revenues. Prohibits imposition by state of new ad valorem, sales, or transaction taxes on real property. Authorizes imposition of special taxes by local government (except on real property) by $\frac{2}{3}$ vote of qualified electors. Financial impact: Commencing with fiscal year beginning July 1, 1978, would result in annual losses of local government property tax revenues (approximately \$7 billion in 1978-79 fiscal year), reduction in annual state costs (approximately \$600 million in

1978-79 fiscal year), and restriction on future ability of local governments to finance capital construction by sale of general obligation bonds."

The Initiative is currently the subject of various lawsuits to challenge its constitutionality under both the State and Federal Constitutions, as well as to resolve differing interpretations and applications of its language and to harmonize it with other parts of the California Constitution. Accordingly, the exact effect of the Initiative on the City cannot be determined at this time. However, if the measure is upheld by the courts, ad valorem taxes of the City for purposes other than the payment of the debt service on bonds of the City approved by the voters would be substantially reduced.

On June 24, 1978, emergency legislation addressing the same subject was enacted into law as Chapter 292. Pursuant to the provisions of the Jarvis-Gann Initiative and of Chapter 292, the assessed valuation of property for property tax purposes is established as the full cash value thereof as shown on the 1975/76 assessment rolls. The assessed valuation so established may be increased up to 2% per year for each year thereafter to reflect a change in the cost of living and may also be increased on a change of ownership, on a purchase and upon new construction.

Assessed Valuations

The 1968 California State Legislature adopted two additional types of exemptions beginning in the tax year 1969/70. The first of these exempts a portion (currently 50 percent) of the assessed valuation of business inventories from taxation.

The second exemption provides a credit of \$1,750 of the assessed valuation of an owner-occupied dwelling for which application has been made to the county assessor. Revenue estimated to be lost to local taxing agencies due to such exemptions, however, is reimbursed from state sources. Such reimbursement is based upon total taxes due upon such exempt values and therefore is not reduced by any amount for estimated delinquencies. The following summary presents the City's 1977/78 assessed valuation before any deductions for these two exemptions.

The 1978/79 assessed valuation, not yet determined, will be reduced by reason of the reduction in assessed valuation to the 1975/76 assessed valuation base, except for transfers of title, new construction and change in cost of living (not to exceed 2% per year).

CITY OF SAN JOSE

1977/78 Assessed Valuation

Secured Roll	\$2,189,517,629
Unsecured Roll	211,946,148
Utility Roll	99,040,810
Net Total Assessed Valuation ..	\$2,500,504,587

Assessed Valuations, Tax Levies, and Delinquencies

The following tabulation (from the records of the County Auditor) presents a five-year summary of the City's assessed valuations, secured tax levies and delinquencies.

These figures are presented for historical comparison, with reference only to the time frame of the years shown, inasmuch as the passage of Proposition 13, discussed previously, will have significant effect upon future assessed valuation of the City and its ability to levy ad valorem taxes.

Fiscal Year	City Assessed Valuation	City Secured Levy
1972/73	\$1,336,131,390	\$21,120,517
1973/74	1,445,126,457	20,827,718
1974/75	1,610,496,253	22,581,359
1975/76	1,889,768,313	25,037,539
1976/77	2,188,168,242	28,138,325

Fiscal Year	Delinquent June 30 Secured Tax	Delinquent June 30 Percent
1972/73	\$311.354	1.47%
1973/74	372.129	1.79
1974/75	362.386	1.60
1975/76	345.575	1.38
1976/77	281.601	1.00

TOTAL TAX RATES: CODE AREA 40-001

	1973/74	1974/75	1975/76	1976/77	1977/78
City Tax Rate	\$ 1.824	\$ 1.785	\$ 1.705	\$ 1.628	\$ 1.363
County Tax Rate	2.626	2.626	2.596	2.471	2.218
All Other	8.170	8.561	8.301	7.793	7.635
Tax Rate on All Property	\$12.620	\$12.972	\$12.602	\$11.892	\$11.216

Tax Rates

The total 1977/78 tax rate for the largest code area in the City was \$11.216 per \$100 assessed valuation and was composed of the following tax levies:

1977/78 TAX RATE—CODE AREA 40-001

City of San Jose	\$ 1.363
Santa Clara County	2.218
Schools	7.385
Flood Control and Air Pollution	0.162
Tax Rate on Net Assessed Valuation	\$11.128
Water Importation and Flood Control (land and improvements before exemptions)	\$.088
	\$11.216

The tax rates per \$100 of assessed valuation for tax code area 40-001 (the largest tax code area in terms of assessed valuation in the City of San Jose) for all purposes, including schools and special districts are presented in the summary following.

The City of San Jose tax rate is comprised of a rate for general City purposes and a rate for general obligation bond purposes.

Different tax code areas in the City of San Jose are subject to different city tax rates for general obligation bond purposes. In 1977/78 the tax rate for general obligation bond purposes ranged from \$0.00 to \$0.243 per \$100 of assessed valuation. Tax code area 40-001 is subject to the highest city tax rate for general obligation bond purposes.

All tax code areas in the City of San Jose are subject to the same city tax rate for general city purposes. In 1977/78 the tax rate for general city purposes was \$1.120 per \$100 of assessed valuation.

As a result of the Jarvis-Gann Initiative, the maximum tax rate for all taxing entities in the County of

Santa Clara is \$4 per \$100 of assessed valuation, plus such additional amount as is necessary to cover certain outstanding indebtedness. The California legislature has adopted legislation apportioning the property tax among the City and the various municipalities and special districts in the County of Santa Clara. The City's share of property taxes on the secured roll will decrease in fiscal year 1978/79 to an amount which the City is presently unable to determine.

Income and Expenditures

Fund balances for all funds as of June 30, 1977, as reported in the City's 61st Annual Financial Report, amounted to \$169,497,729, which included the following: General Fund—\$6,006,361, trust funds—\$5,765,244, retirement funds—\$108,725,770 and \$49,000,354 in other restricted funds.

The tabulation below shows a summary of the income and expenditures of the City of San Jose over the past five years as reported by the State Controller. The City has not yet adopted a budget for fiscal year 1978/79. Recent State legislation (Senate Bill 154, Chapter 292) divided approximately \$4 billion of the State surplus among the various counties, cities and special districts in California. The City is unable to predict what its share of this surplus will be.

Bonded Indebtedness

As of July 1, 1978 the City of San Jose had general obligation bonds outstanding issued for various municipal purposes amounting to \$51,989,000 maturing in the years 1978 through 1994. Of this amount \$18,034,000 are outstanding sewer bonds which are self-supporting by sewer service charges.

CITY OF SAN JOSE

Summary of Income and Expenditures

	1972/73	1973/74	1974/75	1975/76	1976/77
INCOME:					
Property Taxes	\$23,298,069	\$22,474,610	\$ 24,517,121	\$ 27,327,995	\$ 30,960,050
Other Taxes	21,007,439	25,525,789	28,475,404	33,203,827	44,400,835
Licenses and Permits	1,355,149	1,346,951	1,659,936	2,119,623	2,373,350
Fines and Penalties	1,385,052	1,386,507	1,742,540	1,883,942	2,048,947
Use of Money and Property ...	2,703,543	4,528,844	6,753,688	5,478,216	5,173,914
From Other Agencies	32,288,241	28,307,567	26,201,234	37,820,399	71,859,367
Current Services	10,524,172	12,275,768	16,415,122	14,376,126	16,931,124
Other Revenue	4,469,312	2,218,362	5,029,097	4,650,711	4,705,419
Total	\$97,030,977	\$98,064,398	\$110,794,142	\$126,860,839	\$178,453,006
EXPENDITURES:					
General Government	\$29,326,316	\$32,104,326	\$ 35,151,209	\$ 40,804,935	\$ 43,279,131
Public Safety	22,867,311	25,715,637	29,060,950	33,076,216	37,422,052
Public Works	10,583,077	12,245,287	14,108,277	19,611,779	19,768,787
Health	378,818	417,519	453,148	715,541	1,139,565
Library	2,536,535	2,734,524	3,289,219	3,605,452	4,232,653
Parks and Recreation	4,707,398	5,210,674	6,408,171	8,221,722	11,236,068
Other	—	—	398,004	788,258	—
Capital Outlays	17,529,995	15,091,585	16,586,181	20,372,984	62,908,184
Contributions to City Employees	—	—	—	242,020	16,575
Total	\$87,929,450	\$93,519,552	\$105,455,159	\$127,438,907	\$180,003,015

Source: State Controller's Reports.

THE CITY

San Jose is the fourth largest city in California, and the county seat of Santa Clara County. It embraces approximately 150 square miles at the southern extremity of San Francisco Bay, approximately 48 miles from San Francisco and 42 miles from Oakland. The city is the oldest in California, having developed from a Spanish pueblo established November 29, 1777. Population of the city exceeds 587,000, over two and one-half times the number of 1960 Census residents. San Jose is the center of a large and growing industrial and scientific complex.

The San Jose Metropolitan Area includes all of Santa Clara County. The city and county rank among the leading metropolitan areas throughout the nation in virtually all measurements of urban development. An important element in the growth of the area is the fact that over 60 percent of all households have net cash incomes exceeding \$15,000, highest of any metropolitan area in California.

Santa Clara County is one of nine counties bordering San Francisco Bay. Santa Clara leads all of them in population, manufacturing employment, total effective buying income, assessed value of taxable property, retail sales, number of telephones, residential construction, and public school enrollment. It ranks among the top Bay Area counties in virtually every other indicator of economic activity as well. In the essential economic determinants of population, employment, retail sales, and personal income, Santa Clara has been projected as the number one growth county through 1980 in Northern California by the Center for the Continuing Study of the California Economy (SRI International).

Metropolitan San Jose, although it has many ties to the San Francisco-Oakland urban complex, has established a separate identity as a center for research, commerce, industry, and finance.

The climate of San Jose and the surrounding area is mild because of protection afforded by the Diablo Range on the east and the Santa Cruz mountains to the west. Mean July temperature is 68.2 degrees and mean January temperature is 49.2 degrees. Precipitation averages 13.1 inches per year.

Municipal Government

The City of San Jose was incorporated March 27, 1850, and operates as a charter city, having had its first charter granted by the state in 1897. In 1916,

San Jose City Hall



another charter was adopted enabling the city to institute the council-manager form of government, making it one of the first cities in the nation to take this step. The present charter became effective May 4, 1965.

The City Council consists of a Mayor and six other Council Members elected at large for overlapping four-year terms. The City Manager is responsible for the operation of all municipal functions except the offices of City Attorney, City Clerk, and City Auditor. These officials are appointed by and carry out the policies set forth by the City Council.

The City of San Jose 1977/78 annual budget for all funds and enterprises is \$307,896,233, including a capital expenditure program of \$84,684,760. There are 3,630 full-time general city employees and nearly 530 full-time enterprise (special purpose) employees for a total work force exceeding 4,500, including part-time employees.

The police department employs 980 persons, including 780 sworn personnel. The fire department has 572 uniformed personnel and 40 civilians manning 25 stations and 150 pieces of fire-fighting equipment. Communications for police, fire, public works, and civil defense are now handled through the County Communications System.

Commissions performing a vital function in an advisory capacity to the City Council include Planning, Airport, Parks and Recreation, Civil Service, Fine Arts, Suggestion Award, Sports, Historic Landmarks, Public Solicitation, Human Relations, Affirmative Action, Senior Citizens, Library, and Youth and Industrial Development.

Active in the development of San Jose are the Office of Economic Development and the Redevelopment Agency, attached to the office of the City Manager.

Retirement System

There are two principal retirement systems covering San Jose city employees. These are the Federated City Employees' Retirement System and the Police & Fire Department Retirement Plan. A third plan currently covers only four City redevelopment agency employees. The discussion below will be limited to the two principal systems, covering vir-

tually all City employees, including 13 assigned full-time to the redevelopment agency. Membership is mandatory for all full-time employees.

Both plans require the City to account for all retirement system transactions in both a Retirement Fund and a Cost of Living Fund. The plans are financed by employee payroll deductions and by City contributions. Current service costs are shared by City and member employees at the rate of \$8 from the City and \$3 from the employee. Employee contributions to the Federated and Police & Fire Systems are currently 6.8% and 6.59% of base salary, respectively; City contributions are 17.71% and 23.38% of a member's base salary, respectively. Investments of both systems are held by Wells Fargo Bank, N.A.

On April 13, 1978 and May 18, 1978, respectively, actuarial valuation reports on the Police and Fire Retirement System and the Federated System as of July 1, 1977, were submitted by the Wyatt Company of San Francisco. The following summary is taken from these reports:

Summary of Wyatt Findings—The Wyatt Company has found that contributions to the Federated and Police and Fire Retirement Systems are insufficient to meet the System's costs. The reasons that the Wyatt evaluation produces higher contributions than those now paid are:

1. The Cost-of-Living Plan is very inadequately funded. The current 10-year inflation assumption appears very unrealistic in view of both history and current experience.
2. The allowance for future pay increases (the "salary scale") used in the 1974 actuarial valuation is inadequate.
3. Service disability rates are higher than those assumed in the 1974 actuarial valuation.
4. The experience since the last valuation has been unfavorable.
5. Future contributions must make up for past deficiencies in contributions.

Lawrence Mitchell, the actuary who performed the 1974 valuation of the Police and Fire Retirement Systems recognized each of these as actual or potential problems in his report.

The increase in contributions required because of these factors is partly offset by the following changes from the 1974 valuation:

1. An increase in the interest assumption from 6% to 7%.
2. An assumption of fewer service retirements (if more members become disabled, fewer will retire because of age and service).
3. A change in actuarial method from that currently employed for the COL Plan to one which provides for budgeting costs as a payroll percentage which would be expected to be relatively stable (as opposed to the present actuarial method which would increase the contribution rate more sharply initially and would provide for decreasing future contribution rates).

The above is only a summary. Further information regarding the report, including the valuations performed and their results, recommendations, basic data, sources of information and actuarial assumptions can be obtained by contacting Mr. Edward F. Overton at the City of San Jose, 801 North First Street, San Jose, California 95110 (Phone: (415) 277-4000).

Population

The City's population as of January 1978 was estimated at 587,700 by the State Department of Finance, an increase of approximately 127,000, or 28 percent, over the April 1970 U.S. Census. San Jose is second only to San Francisco among Bay Area cities in number of inhabitants.

Santa Clara County is the most populous of the nine counties bordering San Francisco Bay, and ranks 31st among metropolitan counties in the United States. As of January 1, 1978, the State Department of Finance estimated its population at 1,222,800, an increase of 17,800 over the same 1977 date, and a gain of 14.8 percent over the 1970 U.S. Census report.

The following tabulation summarizes City and county population growth since 1940, based on reports of the U.S. Census Bureau and recent estimates. Annexation of substantially vacant land allowed for the building of homes which accounts for a substantial share of the city's population increases since 1950.

CITY OF SAN JOSE

Population Statistics

Year	City of San Jose	San Jose Metropolitan Area ^①
1940 ^②	68,457	174,949
1950 ^②	95,280	290,547
1960 ^③	204,196	642,315
1970 ^②	459,913	1,065,313
1978	587,700 ^③	1,222,800 ^③

① Santa Clara County.

② U.S. Census.

③ State Department of Finance, January 1978 estimate.

The revised 1970 Census of Housing report, as shown in the following summary, disclosed 139,759 housing units in the City of San Jose and 336,873 in Santa Clara County. In both the City and the county, 60 percent of all homes were owner-occupied.

1970 U.S. CENSUS OF HOUSING

	City of San Jose	Santa Clara County
All housing units	139,759	336,873
Owner-occupied units	82,868	199,360
Number specifying value	76,119	181,177
Median value	\$25,400	\$27,300
Renter-occupied units	47,739	123,500
Median contract rent	\$135	\$143

The 1970 median home value of \$27,300 and median rental of \$143 per month in Santa Clara County were the highest for any metropolitan area in California.

Income

Santa Clara County ranks fourth among California counties in total personal income, after Los Angeles, Orange, and San Diego Counties, and fifth among the state's seventeen metropolitan areas.

The 1977 *Survey of Buying Power*, published by Sales & Marketing Management, reports Santa Clara County in first place among Bay Area counties in

net effective buying income, estimating the figure at \$8.244 billion for year-end 1976. This is \$6,813 per capita, compared with a statewide figure of \$6,062. Median household income of \$18,501 is sixth highest nationwide and 12 percent above the median household income for the state. Over 27 percent of all households have incomes exceeding \$25,000, according to the survey.

In the City of San Jose, median household effective buying income for the same date was \$17,806, with 61 percent of all households realizing annual buying incomes of \$15,000 or more.

Commercial Activity

Bank debits in the City of San Jose for 1976 totaled more than \$32.7 billion, a gain of over six percent from 1975. Debits for the first six months of 1977 total \$18.6 billion, about 18.6 percent ahead of the equivalent 1976 period. Bank deposits in the City as of July 1, 1977 were reported to be \$549,898,000 by the Federal Reserve Bank of San Francisco, compared with \$476,231,000 as of July 1, 1976. There are 87 banking offices in the City, of which 26 are operated by the Bank of America N.T. & S.A. and 14 by the First National Bank of

San Jose. Within the City limits are 49 savings and loan branch offices.

There are approximately 150 shopping centers in Metropolitan San Jose. Valley Fair, in the western part of the City, occupies 32.8 acres and has almost 600,000 square feet of store area. Among the tenants are such well-known retailers as Macy's, Joseph Magnin, Pay Less Drug Stores, and F. W. Woolworth. Eastridge, a retail shopping complex which opened in 1971 in southeast San Jose, features Macy's, Sears and J. C. Penney Co., as principal tenants. It is the largest shopping center in Santa Clara County, and has 160 stores, 27 restaurants, and an indoor ice skating arena.

The City of San Jose generated total taxable transactions of more than \$2 billion in 1977, nearly 20 percent higher than 1976. The City accounts for approximately 43 percent of all taxable retail sales in Santa Clara County. Since 1973, over 600 new retail sales permits have been awarded in the City. During the same period nearly 2,800 additional non-retail permits were issued, attesting to increasing professional and industrial activity in San Jose. Taxable transactions since 1973 are presented on page 29.

Eastridge Shopping Center



CITY OF SAN JOSE

Taxable Transactions

(\$000 omitted)

Year	Retail Outlets		Total Outlets	
	Permits	Transactions	Permits	Transactions
1973	3,275	\$1,021,546	8,470	\$1,312,823
1974	3,325	1,130,476	8,903	1,467,337
1975	3,477	1,227,253	9,793	1,572,443
1976	3,705	1,426,386	10,580	1,813,209
1977	3,889	1,674,498	11,267	2,167,201

Source: State Board of Equalization.

CITY OF SAN JOSE

Taxable Transactions 1977

(\$000 omitted)

Type of Outlet	Number of Permits	Taxable Transactions ^①
Apparel stores	327	\$ 87,435
General merchandise	101	321,563
Drug stores	96	37,860
Food stores	367	147,896
Packaged liquor stores	131	38,268
Eating and drinking places ..	872	160,739
Home furnishings, appliances	272	77,680
Building materials,		
implements	167	123,893
Auto dealers, auto supplies ..	226	313,414
Service stations	350	166,491
Other retail stores	980	199,559
Total retail ^①	3,889	\$1,674,798
All other outlets	7,378	492,403
Total, all outlets	11,267	\$2,167,201

^① Excludes food for home consumption, prescription drugs, and other items.

Source: State Board of Equalization.

Employment

The San Jose Labor Market, as defined by the State Employment Development Department, includes all of Santa Clara County. This area is a highly developed industrial, research, and educational center of employment for a labor force that ranks well above the average in educational attainment and income. According to 1970 Census data, more than 19.5 percent of the adult population in the county hold college degrees, and over 59 percent

of the work force are classified as white collar workers.

Among the nine Bay Area counties, Metropolitan San Jose ranks first in manufacturing, retail trade, and local government employment, second in construction and personal services, and third in wholesale trade, finance occupations, and federal and state government jobs. The average annual income of industrial employees is the highest in Northern California and stems to a great degree from the educational level and degree of skills in the sophisticated electronics and computer industries.

There are 58 establishments in Santa Clara County employing 1,000 or more persons, and 127 which employ 500 or more. Following is the distribution of employers by number of employees as of the third quarter, 1977.

SANTA CLARA COUNTY

Employers by Number of Employees

Number of Employees ^①	Number of Employers
0-3	9,037
4-9	5,703
10-19	2,567
20-49	1,792
50-99	754
100-249	402
250-499	122
500-999	69
1,000 and Over	58
	20,504

^① Total 511,892.

Source: State Employment Development Department.

An accompanying tabulation presents labor force, employment, and unemployment data for the period 1975-78 in the San Jose labor market. Between 1975 and 1977 the labor force increased 67,400 and is forecast to increase 32,100 in 1978. Similarly, employment grew 77,300 over the two years, and is projected to grow 35,900 this year. As a result, the rate of unemployment has dropped from 9.5% in 1975 to a projected rate of 5.9% in 1978.

The distribution of wage and salary employment by major category for individual years is also shown. In 1977, 32 percent of all wage and salary workers were employed in manufacturing plants, over 21 percent were in services, 15 percent in government jobs, and a slightly smaller percentage in retail trade.

For the 1975-77 period, the fastest growing job category was manufacturing, with 18,500 additional

employees. Services was next with 17,300 job additions, followed by retail trade (7,900) and government (7,500). Most of the new government employees were hired at the local government level as an outgrowth of the federally funded CETA program.

Industrial firms in Santa Clara County employing 500 or more persons are listed on page 32. Non-manufacturing and governmental organizations in the Metropolitan Area employing more than 1,000 persons include the City of San Jose, Santa Clara County, Stanford University, the Stanford Medical Center, Pacific Gas and Electric Co., Pacific Telephone Co., San Jose State University, San Jose Unified School District, Cupertino Elementary School District, Palo Alto Unified School District, Ames Research Center (NASA), and the U.S. Naval Air Station at Moffett Field.

SAN JOSE LABOR MARKET

Civilian Labor Force, Employment, and Unemployment

Annual Averages, 1975-78

	Actual			1978 Forecast
	1975	1976	1977	
Civilian Labor Force	543,500	574,100	610,900	643,000
Employment	491,800	527,900	569,100	605,000
Unemployment	51,700	46,200	41,800	38,000
Unemployment Rate	9.5%	8.1%	6.8%	5.9%
Wage and Salary Employment:				
Agriculture	7,700	7,400	7,300	7,600
Mining	100	100	100	100
Construction	17,000	17,900	21,600	22,300
Manufacturing	153,800	164,700	172,300	183,900
Transportation, Utilities	17,900	18,100	18,400	19,000
Wholesale Trade	19,900	21,300	22,800	24,000
Retail Trade	71,400	76,100	79,300	83,900
Finance, Insurance, Real Estate	18,700	20,000	21,400	22,600
Services	97,300	106,100	114,600	121,800
Government	72,500	75,500	80,000	82,700
Total Wage and Salary Employment	476,300	507,200	537,800	567,900

Source: California Employment Development Department.

Industry

As already mentioned, manufacturing is the most important major industry group in Metropolitan San Jose. There are nearly 2,000 manufacturing firms in the county. In 1976 these firms paid \$2,515,754,006 in salaries and wages to 165,727 workers, according to the State Department of Employment Development. Industrial plants in the county produce a wide range of products, from agricultural implements to sophisticated electronics equipment.

In the most recent (1975) Annual Survey of Manufacturers conducted by the U. S. Department of Commerce, the San Jose Metropolitan Area ranked third among California's metropolitan areas in the industrial indicators of number of employees in manufacturing establishments, total industrial payrolls, and value added by manufacture. In the latter measure, San Jose plants added a total manufacturing value of \$4,134.8 million to basic products, compared with \$4,982 million in the second-place San Francisco-Oakland Metropolitan Area.

Durable goods plants account for approximately 85 percent of all manufacturing employment in Santa Clara County. Within this major category, the most important industries are electrical equipment, non-electrical machinery, and transportation equipment. Local electronics firms design and manufacture highly technical products such as test equipment, lasers, magnetic recording devices, microprocessors, medical instruments, semiconductor components, minicalculators, digital watches, and electronic games. Other important industries are the production of business machines and specialized machinery for use in agriculture, construction, and metalworking.

Within San Jose are 9,400 acres developed, zoned, or planned for heavy and light industry. This acreage is largely distributed in five major reserve areas and provides approximately 5,500 acres for new industrial development ranging in size from one-half acre to over 350 acres. During 1976, typical sales prices ranged from \$25,000 to \$100,000 per acre. Major industrial parks in the city include Orchard Business Park, International Business Park, and Cabot, Cabot & Forbes San Jose 280 Business Park.

Highly developed research facilities at Stanford University (Linear Accelerator), NASA's Ames Research Center, United Technology Center, and IBM's Research Division have fostered the development of local companies and products to enhance the area's technological capabilities.

There are over 300 firms in the electronic and electrical equipment field in the area, with employment ranging from one to over 5,000 employees. Some of the larger firms in this category are Fairchild Camera and Instrument Company, General Electric Company, Hewlett-Packard Company, Raytheon, Signetics, Aeronutronic, Sylvania, Tele-dyne, Varian Associates, Western Electric and Westinghouse Electric.

Prominent in aerospace and ordnance are Lockheed Missiles and Space Company, United Technologies, and FMC Corporation, which have combined employment of more than 23,000 persons.

Although electronics, aerospace, and ordnance are important segments of the local industrial structure, they are balanced by a spectrum of other manufacturing categories. Growth in nonelectrical machinery, instruments, printing and publishing, and transportation equipment has been substantial, while food-related manufacturing has declined as a percent of total manufacturing. In the nonelectrical machinery industry, some of the larger firms in Metropolitan San Jose are International Business Machines Corporation, FMC Corporation (Airline Equipment Division, Ordnance Division, Ordnance Engineering Division, Engineered Systems Division, Central Engineering Laboratories and Food Machinery International), and Vidar Corporation. The larger firms in the professional, scientific, and controlling instruments category are Beckman Instruments and Spectra Electronics, Incorporated.

Nationally-known firms which make up the general base of industry in Metropolitan San Jose include Ford Motor Company, Owens-Corning Fiberglas, Continental Can Corporation, Pittsburgh-Des Moines Steel, Owens-Illinois Incorporated, and San Jose Steel Company.

Some of the larger industrial firms in the San Jose Metropolitan Area are discussed more fully in the following paragraphs.

LOCKHEED MISSILES AND SPACE COMPANY. Lockheed employs approximately 19,000 at its Sunnyvale and Palo Alto facilities. Basically a missile and satellite manufacturing complex, the local Lockheed installation represents a diversity of research and production capability and is the most profitable of Lockheed's enterprises.

In recent years, the company's principal product developments at the local plants have been the Trident and Poseidon submarine-launched ballistic missiles. Other programs at local Lockheed facilities have included the Polaris missile, the Agena space

SAN JOSE METROPOLITAN AREA

Industrial Firms Employing 500 or More Persons

Company	Product or Service
Over 2,000 Employees:	
Fairchild Camera & Instruments, Mountain View	Electronic products
Ford Motor Company, Milpitas	Auto, truck assembly
FMC Corporation, San Jose	Food machinery
General Electric Company, San Jose	Nuclear power plants
Hewlett-Packard Co., Palo Alto	Measuring instruments and equipment
Information Storage Systems, Cupertino	Computers
IBM, San Jose	Data processing systems
Lockheed Missiles & Space Co., Sunnyvale	Missiles and space systems
Memorex Corp., Santa Clara	Magnetic tape
NASA, Ames Research Center, Sunnyvale	Scientific research
National Semiconductor Corp., Santa Clara	Electronic circuits
Pacific Telephone Co., San Jose	Utility
Philco Ford Corp., Palo Alto	Aerospace research
Signetics Corp., Sunnyvale	Electronic components
Stanford University, Stanford	University, basic research
Varian Associates, Palo Alto	Electronic equipment
Westinghouse Electric Corp., Sunnyvale	Marine specialty products
1,001-2,000 Employees:	
Amdahl Corp., Sunnyvale	Computer Systems
American Micro-Systems, Santa Clara	Electronic components
Atari Inc., Sunnyvale & Santa Clara	Electronic Video Systems
ESL Incorporated, Sunnyvale	Electronic research and development
Intel, Santa Clara	Electronics
Northwest Publications, San Jose	Newspaper
Pacific Gas and Electric Co., San Jose	Utility
San Jose Mercury-News, San Jose	Newspaper publisher
Syntex Laboratories, Inc., Palo Alto	Pharmaceuticals
Watkins-Johnson Co., Palo Alto	Electronic components, accessories
Western Electric Co., Sunnyvale	Telephone equipment
500-1,000 Employees:	
Advanced Micro-Devices, Inc., Sunnyvale	Integrated circuits
American Bakeries, Inc., San Jose	Bakery
Arcata Graphics, Inc., San Jose	Printing
Barnes-Hind Pharmaceuticals, Sunnyvale	Pharmaceuticals
Beckman Instruments Inc., Palo Alto	Precision instruments
Beech Nut Inc., San Jose	Gum and candy
Burke Industries Inc., San Jose	Rubber products
California Cannery & Growers, San Jose	Canned fruits and vegetables
California Microwave, Inc., Sunnyvale	Electronic Equipment
Castle & Cooke Foods, San Jose	Food processing
Del Monte Corp., San Jose	Canned fruits and vegetables
Electronic Design & Development, Santa Clara	EDP software
Fairchild Systems Technology, San Jose	Computerized test equipment
Gilroy Foods, Inc., Gilroy	Dehydrated onions, garlic
Hewlett-Packard Co., Cupertino	Mini-computer system
Hewlett-Packard Co., Santa Clara	Laboratory instruments
Intersil Inc., Sunnyvale	Semiconductors
Itek Corporation, Sunnyvale	Electronic components
ITT-Jennings Div., San Jose	Electronic components
Libby, McNeil & Libby, Sunnyvale	Food Processing
Litronix, Inc., Cupertino	Electronic semiconductors
Owens-Corning Fiberglas Corp., Cupertino	Fiberglass insulation
Plantronics, Inc., Santa Clara	Data and telecommunications equipment
Raytheon Co., Mountain View	Semiconductors
Siliconics, Inc., Santa Clara	Semiconductors
Spectra-Physics, Inc., Mountain View	Laser instruments
Sun Garden Packing Co., San Jose	Canned fruits
Teledyne Semiconductor, Mountain View	Microwave equipment
United Technologies, Sunnyvale	Chemical Systems Division
Vidar Corp., Mountain View	Electronics

Source: San Jose Chamber of Commerce, Sunnyvale Chamber of Commerce, and direct contact by Stone & Youngberg MFC, Inc.

vehicle, an eight-wheeled combat assault vehicle, and a Deep Submergence and Search Vehicle.

Management officials of the parent company have pointed out that this division has not been affected by the widely-publicized troubles experienced by Lockheed elsewhere.

GENERAL ELECTRIC COMPANY plants and laboratories in Metropolitan San Jose employ a total in excess of 5,700. Located in the City of San Jose are production facilities of Vertical Motor Products and the Nuclear Energy Division. The Breeder Reactor Operation and Space Systems Organization facilities are at Sunnyvale, the Time Sharing Computer Service is located in Palo Alto, and other manufacturing facilities are at Campbell.

IBM CORPORATION. IBM, the city's largest employer, encompasses a variety of activities from fundamental research through production and installation of equipment. Total employment of the corporation in this area is estimated to be approximately 8,900 persons.

Largest of the company's local facilities is the complex located at Monterey and Cottle Roads in southeastern San Jose. The 500-acre site is the scene of research, education, systems development, testing and manufacturing. There are 20 buildings with over a million square feet of space. One of IBM's General Products Division facilities is also located here. Magnetic disk storage units for computers are a main product. The San Jose Laboratory of the General Products Division conceives and develops tomorrow's IBM systems. Activities include not only advanced development technology, components, and systems, but market analysis and product planning. The Research Laboratory carries out research in chemistry, physics, engineering, and the data processing field. The Product Testing Laboratory tests and evaluates new products before shipping to customers. These tests range from those of electrical and mechanical changes to small components, up to a complete data processing system. Also on the site is an Education Center operated by IBM's Data Processing Division. This facility is the center

The International Business Machines Corporation facilities in San Jose



for educational programs attended by both IBM and customer personnel.

IBM also occupies extensive space in the Rincon de los Esteros Redevelopment Project for warehousing and distribution.

HEWLETT-PACKARD CO. Hewlett-Packard, employing 31,000 people in seven states and six foreign countries, is the second largest industrial employer in the San Jose Metropolitan Area. An estimated 10,000 local employees produce computers, calculators, and electric instruments at plants in Palo Alto, Cupertino, Mountain View, and Santa Clara. A San Jose plant of the firm's Semi-Conductor Division is under construction within the Rincon de los Esteros project area, with completion expected in September 1978. Hewlett-Packard was established in Metropolitan San Jose more than 25 years ago, and maintains world headquarters at Palo Alto.

FMC CORPORATION. Formerly Food Machinery and Chemical Corporation, FMC was founded in San Jose in 1883 and is the City's third largest manufacturing employer, with approximately 4,500 em-

ployees. The corporation's wide variety of products include machinery, chemicals, fibers, ordnance, personnel carriers, and packaging films which are supplied to almost every segment of industry, agriculture, and national defense.

Located in San Jose are some of the largest manufacturing and sales facilities for its various divisions, including the Food Machinery International, Airline Equipment and Ordnance divisions. In adjacent Santa Clara are the Engineered Systems and Motor Coach divisions.

FORD MOTOR COMPANY. Ford's San Jose Assembly Plant in the adjacent community of Milpitas employs about 2,900 workers, producing commercial and passenger vehicles.

NASA, AMES RESEARCH CENTER. With 1,800 employees at its Mountain View facility near Moffett Field, Ames ranks as one of the largest employers in the area. The Center carries on vital work in space and life science research and development. A large wind tunnel is available for testing of aircraft and spacecraft configurations. Ames also houses the USAF Satellite Test Center.

The Lockheed Missile and Space Company plant and the adjacent Moffett Field Naval Air Station



Foreign Trade Zone

San Jose Foreign Trade Zone No. 18 is located in the 375-acre International Business Park, immediately northeast of the Rincon de los Esteros redevelopment area, near the San Jose Municipal Airport. Foreign and domestic merchandise may be moved into the zone for storage, exhibition, manipulation, manufacture, or other processing without payment of Federal duties or excise taxes until the goods leave the zone. There is no time limit on storage of goods and components. Construction in the zone began in 1975 with two buildings totalling 132,000 square feet. Upon completion, it is estimated the Park will provide employment for 6,000.

New Construction

The San Jose Metropolitan Area has consistently ranked among the top California counties in building permit valuation. In 1977 Santa Clara County was fourth in total building valuation, sixth in residential valuation, and fourth in non-residential valuation in the state.

Total 1977 Santa Clara County building permit valuation of \$899,071,000 included new industrial valuation of \$155,444,000. This was the third highest industrial valuation among California counties, after Los Angeles and Orange Counties.

In the City of San Jose, total building permit valuation last year was \$329,194,000, about 37 percent of the county total, and a record high for the city. In 1976, residential permit valuation for San Jose was \$241,947,000. Besides being an historical high for the city, this figure reversed a downward trend in residential permit valuation that started in 1971 and exceeds the \$175,403,000 amount for 1971, which was the previous high for residential permit valuation. For the five years ending in 1976, the City of San Jose reported nearly 45 percent of aggregate residential permit valuation, and over 30 percent of total nonresidential permit valuation, in Santa Clara County. San Jose had approximately 65 percent of all permits for single-family homes.

The following table summarizes building permit valuation in Metropolitan San Jose by individual years for the five-year period 1973-77.

METROPOLITAN SAN JOSE^①

Value of Building Permits

(Dollars in Thousands)

	1973	1974	1975	1976	1977
Residential:					
New Units	\$260,908	\$236,569	\$243,027	\$463,171	\$479,750
Alterations and additions	13,505	19,702	26,879	34,277	44,972
Subtotal	\$274,413	\$256,271	\$269,906	\$497,448	\$524,722
Non-residential:					
New commercial	\$ 88,263	\$ 91,372	\$ 69,047	\$ 63,259	\$109,266
New industrial	82,970	82,634	78,271	86,883	155,444
Alterations and additions	21,009	22,580	26,210	30,740	34,860
Other	32,995	47,198	54,682	67,187	74,779
Subtotal	\$225,237	\$243,784	\$228,210	\$248,069	\$374,349
Total Valuations	\$499,650	\$500,055	\$498,116	\$745,517	\$899,071
Number of new dwelling units:					
Single-family	7,405	5,823	5,700	9,318	8,446
Multi-family	5,449	3,173	2,254	3,833	4,481
Total units	12,854	8,996	7,954	13,151	12,927

^① Santa Clara County.

Source: County Planning Department and City Building Departments and *California Construction Trends* published by Security Pacific National Bank.

Downtown Redevelopment

More than \$350 million in new and committed developments have transformed San Jose's central business district in the past decade. The catalyst for this transformation was Park Center Financial Plaza. Located here are the regional headquarters for seven national banks, and a number of nationally prominent firms. Rounding out this development will be commercial office space and restaurant facilities. The 240-room Holiday Inn opened in September 1974 adjacent to the Park Center Plaza area. San Jose Plaza is the core area's most recently completed office tower complex, consisting of two adjacent 13- and 14-story structures and an 850-space garage.

Paseo de San Antonio and San Antonio Plaza represent a \$155 million investment in redevelopment of the area between Park Center Plaza on the west and the burgeoning campus of San Jose State University to the east. Paseo de San Antonio, now complete, will serve a variety of retail and commercial needs.

Transportation

Two major railroads, a modern system of highways and freeways and a growing airport complex have contributed to the industrial, commercial and residential expansion of Metropolitan San Jose. This highly developed transportation network provides ready access to national and international markets.

Interstate 280, Interstate 680, US 101, and State Route 17 all intersect in downtown San Jose, providing an efficient freeway grid serving the city and surrounding area.

Southern Pacific and Western Pacific provide main line rail service to the area. Both railroads serve the east shore of San Francisco Bay, while Southern Pacific also provides freight and daily commuter service north on the Peninsula to San Francisco. Within the city, there are central switching yards with ramps for piggyback loading and cranes for handling of containerized freight.

Approximately 65 interstate trucking firms and over 400 local and regional contract carriers serve Metropolitan San Jose. Motor passenger and parcel service are made available by Greyhound Bus Lines and Peerless Stages with overnight deliveries to all major cities in California. Local bus transportation is scheduled by Santa Clara County Transit District, which connects with the Bay Area Rapid Transit

District in the East Bay, and with bus and train services on the San Francisco Peninsula.

Deepwater transportation is available at the Port of Redwood City, 25 miles north. Ports at San Francisco and Oakland are well-equipped to handle all types of coastal and overseas cargo. All three ports are conveniently accessible by freeway from San Jose.

As noted elsewhere in this Official Statement, the San Jose Municipal Airport is one of the three principal airports in the San Francisco Bay Area.

Utilities

The City of San Jose is served by the following utilities:

Electricity: Pacific Gas and Electric Company

Gas: Pacific Gas and Electric Company

Telephone: Pacific Telephone Company

Water: San Jose Water Works, San Jose Municipal Water Works and the Great Oaks Water Company.

Agriculture

Although population growth, industrialization and urbanization have caused a decline of agricultural activities and farm employment in the county, farm production has remained high. In 1977 the gross value of all crops was \$101,278,480, compared with \$97,347,450 in 1976. Nursery stock and cut flower production has increased sharply in recent years, offsetting a steady drop in production of fruits and nuts. The cultivation of vegetables has also shown considerable strength in recent years.

Community Facilities

The City of San Jose has six general hospitals with a combined capacity of 2,216 beds. Stanford Medical Center in Palo Alto has 600 beds and unexcelled equipment for major surgery, including heart transplants. There are 50 convalescent hospitals and nursing homes in Metropolitan San Jose, many with 50-100 beds and two with more than 100 beds. Medical and health services are provided in San Jose by over 700 physicians and surgeons. More than 300 dentists, 70 optometrists, and 100 chiropractors practice in the community.

In 1970 the city opened a \$4 million main library facility in the downtown area. The library system operates 12 branch libraries and a bookmobile. San

Jose's public library circulates nearly three million books each year.

The San Jose Center for the Performing Arts (formerly the Community Theatre) is located in the center of the city, and forms the hub of a growing cultural development program in San Jose. The modernistic structure, seating 2,700 people, is considered one of the finest theatres in the country.

The city has two major newspapers, nine radio stations, a TV cable system, and three TV channels received direct, including a Public Broadcasting System outlet.

One of the oldest established symphony orchestras in the nation, the San Jose Symphony, traces its roots back over a century. It has been accorded national recognition as a Metropolitan Orchestra by the American Symphony Orchestra League. Also adding to the cultural life of the city is the San Jose Museum of Art.

The San Jose Convention Center, located near the Performing Arts Center, seats a total of 7,600 and has 292 exhibit booths. The recently completed exhibit hall has substantially increased the capacity of the facility for conventions.

Municipal Stadium, occupying a 23-acre downtown site, features the San Jose Mission baseball team. Spartan Stadium, seating 18,300 for San Jose State University games and for the San Jose Earthquakes soccer team, brings intercollegiate and professional sports to the city.

Education

The City of San Jose is served by a number of school districts. Largest systems are the San Jose Unified School District, with total enrollment of 37,690, and the East Side Union High School District, which encompasses seven elementary school districts within its boundaries. Enrollment in the latter system includes 55,816 students in the elementary grades and 19,014 high school students, according to the 1977 California Public School Directory.

Higher education is available at eight community colleges in Santa Clara County. Within the San Jose city limits are San Jose City College, with 5,383 day students and 9,509 evening students, and the new Evergreen Valley College, which enrolls 3,103

day and 2,393 evening students. In neighboring communities are De Anza College, Foothill College, Gavilan College, and West Valley College, having a combined enrollment exceeding 48,000 day and evening students. Mission College is currently under construction at a site north of US 101 in Santa Clara.

San Jose State University, enrolling over 15,000 full-time students, has the third highest enrollment of the 19 institutions in the California State University and College System. Situated on 64 acres in downtown San Jose, it is the state's oldest public supported institution, having opened its doors in 1857.

Metropolitan San Jose is also the home of the oldest institution of higher education in the West, the University of Santa Clara, which traces its founding to 1851. Another prestigious seat of learning, Stanford University, dates from 1885. Located within a 50-mile radius of San Jose are the University of California at Berkeley, University of California at Santa Cruz, St. Mary's College, Mills College, the University of San Francisco, and the San Francisco and Hayward campuses of the State University and College System.

Recreation

The city maintains 170 school playgrounds and 70 public parks, including 776-acre Alum Rock Park and the Municipal Rose Garden which has 150 varieties of roses. Commercial amusement centers include the Winchester Mystery House, Frontier Village, and 50 theatres. Other attractions are the Rosicrucian Egyptian Museum and Planetarium, Japanese Friendship Gardens, San Jose Municipal Baseball Park, Santa Clara County Fairgrounds, Alviso Yacht Harbor, 11 eighteen-hole golf courses, and five nine-hole golf courses. In the adjoining community of Santa Clara is the 65-acre Marriott's Great America, a family amusement center.

Sailing and power boat enthusiasts make use of the many marinas and docking facilities in San Francisco Bay and the resorts along the Pacific shoreline. Those who enjoy hiking or camping find outlets in the Santa Cruz Mountains, southwest of the city. The beaches at Santa Cruz and adjacent areas are less than an hour's drive from the city. Deep-sea fishing parties are scheduled regularly the year-round from Santa Cruz and Half Moon Bay.

APPENDIX A

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ARTHUR YOUNG & COMPANY

101 PARK CENTER PLAZA
SAN JOSE, CALIFORNIA 95113

Honorable City Council
City of San Jose
San Jose, California

We have examined the accompanying balance sheet of San Jose Municipal Airport, which is a part of the City of San Jose, at June 30, 1977 and the related statements of income, changes in enterprise equity and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We have previously made a similar examination of the financial statements for the prior year.

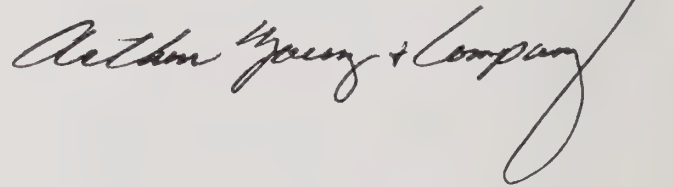
As explained in Note 6 to the financial statements, the City of San Jose is a defendant in various legal actions involving the Airport. The ultimate outcome of the lawsuits cannot be presently determined.

In our opinion, subject to the effects, if any, on the financial statements of the ultimate resolution of the matters discussed in the preceding paragraph, the financial statements mentioned above present fairly the financial position of San Jose Municipal Airport at June 30, 1977 and 1976 and the results of operations and changes in financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis during the period.

Our examination has been made primarily for the purpose of expressing an opinion on the financial statements, taken as a whole. The accompanying supplementary information

ARTHUR YOUNG & COMPANY

is presented for analysis purposes and is not necessary for a fair presentation of the financial information referred to in the preceding paragraph. It has been subjected to the tests and other auditing procedures applied in the examination of the financial statements mentioned above, and in our opinion, subject to the effects, if any, on the supplementary information of the ultimate resolution of the matters mentioned in the second preceding paragraph, is fairly stated in all respects material in relation to the financial statements taken as a whole.

A handwritten signature in cursive script that reads "Arthur Young & Company". The signature is written in dark ink and is positioned to the right of the main text block.

September 7, 1977

CITY OF SAN JOSE
SAN JOSE MUNICIPAL AIRPORT
BALANCE SHEET
June 30, 1977 and 1976

<u>ASSETS</u>			<u>LIABILITIES AND ENTERPRISE EQUITY</u>		
	<u>1977</u>	<u>1976</u>		<u>1977</u>	<u>1976</u>
Current assets:			Current liabilities:		
Cash and investments at cost which approximates market:			Accounts payable and accrued liabilities	\$ 347,844	\$ 216,577
Held in the City treasury (Note 1):			Payable from restricted assets:		
Unrestricted	\$ 2,317,459	\$ 2,024,341	Accrued interest	144,091	62,241
Restricted (Note 3)	<u>1,046,870</u>	<u>320,568</u>	Current portion of long-term debt (Note 5)	<u>195,000</u>	<u>125,000</u>
	3,364,329	2,344,909	Total current liabilities	686,935	403,818
Held by fiscal agent - Restricted (Note 3)	<u>289,838</u>	<u>114,205</u>	Long-term debt due after one year (Note 5)	6,800,000	2,995,000
Total cash and investments	3,654,167	2,459,114	Commitments and contingencies (Notes 2, 6 and 7)		
Accounts receivable, net of allowance for doubtful accounts of \$4,900 in 1977 and 1976	620,535	394,256	Enterprise equity:		
Inventory (Note 1)	42,456	36,606	Contributions:		
Prepaid expenses	<u>40,788</u>	<u>30,266</u>	From the City of San Jose (Notes 2 and 7)	9,849,402	10,048,669
Total current assets	4,357,946	2,920,242	From federal and state agencies	<u>10,423,335</u>	<u>7,982,529</u>
Grants receivable from the federal government (Note 4)	1,710,370	331,956	Total contributions	20,272,737	18,031,198
Noncurrent portion of restricted assets (Note 3)	607,445	264,600	Reserves:		
Property, plant and equipment (Note 1):			For encumbrances (Note 1)	1,169,239	672,031
Land	11,861,887	8,133,775	For current debt service	332,470	161,955
Buildings and improvements	17,016,389	16,632,661	For future debt service (Note 3)	<u>607,445</u>	<u>264,600</u>
Equipment	<u>843,299</u>	<u>805,257</u>	Total reserves	2,109,154	1,098,586
	29,721,575	25,571,693	Retained earnings (Notes 1 and 6)	<u>10,947</u>	<u>640,418</u>
Less accumulated depreciation	<u>6,726,952</u>	<u>6,001,910</u>	Total enterprise equity	22,392,838	19,770,202
Net property, plant and equipment	22,994,623	19,569,783			
Other assets	<u>209,389</u>	<u>82,439</u>			
	<u>\$29,879,773</u>	<u>\$23,169,020</u>		<u>\$29,879,773</u>	<u>\$23,169,020</u>

See accompanying notes.

CITY OF SAN JOSE
SAN JOSE MUNICIPAL AIRPORT
STATEMENT OF INCOME
Years ended June 30, 1977 and 1976

	<u>1977</u>	<u>1976</u>
Revenues:		
Main terminal area related revenues:		
Main terminal area	\$ 753,015	\$ 697,412
Baggage claim	<u>115,726</u>	<u>109,412</u>
	868,741	806,824
Petroleum product sales	6,187,192	4,065,545
Concessions	2,448,436	2,169,466
Flight area	968,820	943,066
General aviation area	<u>327,165</u>	<u>301,364</u>
Total operating revenues	<u>10,800,354</u>	<u>8,286,265</u>
Nonoperating revenues:		
Interest (Note 1)	261,551	205,346
Land and building rent	116,187	93,429
Other	<u>14,904</u>	<u>5,000</u>
Total nonoperating revenues	<u>392,642</u>	<u>303,775</u>
Total revenues	<u>11,192,996</u>	<u>8,590,040</u>
Costs and expenses:		
Main terminal area	812,906	727,767
Cost of petroleum products sold	5,727,630	3,706,643
Concessions	362,424	296,342
Flight area	873,752	641,648
General aviation area	175,652	154,164
Mechanical and electrical	188,120	124,774
General and administrative	1,034,106	1,092,471
Depreciation (Note 1)	<u>728,886</u>	<u>707,483</u>
Total operating costs and expenses	<u>9,903,476</u>	<u>7,451,292</u>
Nonoperating expenses:		
Interest	538,638	330,568
Litigation	17,146	88,789
Other	<u>50,152</u>	<u>52,438</u>
Total nonoperating expenses	<u>605,936</u>	<u>471,795</u>
Total costs and expenses	<u>10,509,412</u>	<u>7,923,087</u>
Net income	<u>\$ 683,584</u>	<u>\$ 666,953</u>

See accompanying notes.

CITY OF SAN JOSE
SAN JOSE MUNICIPAL AIRPORT
STATEMENT OF CHANGES IN ENTERPRISE EQUITY
Years ended June 30, 1977 and 1976

	Contributions		Reserves			Retained Earnings	Total Enterprise Equity
	From City of San Jose	From Federal and State Agencies	Reserve for Encumbrances	Reserve for Current Debt Service	Reserve for Future Debt Service		
Balance at June 30, 1975	\$10,073,659	\$ 7,946,542	\$ 467,405	\$172,334	\$264,600	\$ 574,712	\$19,499,252
Net income	-	-	-	-	-	666,953	666,953
Contributions from federal and state government	-	35,987	-	-	-	-	35,987
Increase in reserve for encumbrances	-	-	204,626	-	-	(204,626)	-
Decrease in debt reserves	-	-	-	(10,379)	-	10,379	-
Contribution to the General Fund of the City of San Jose (Note 7)	-	-	-	-	-	(407,000)	(407,000)
Transfer to debt service funds of the City of San Jose for retirement of principal of airport related general obligation debt (Note 2)	(24,990)	-	-	-	-	-	(24,990)
Balance at June 30, 1976	10,048,669	7,982,529	672,031	161,955	264,600	640,418	19,770,202
Net income	-	-	-	-	-	683,584	683,584
Contributions from federal and state government	-	2,440,806	-	-	-	-	2,440,806
Increase in reserve for encumbrances	-	-	497,208	-	-	(497,208)	-
Increase in debt reserves	-	-	-	170,515	342,845	(513,360)	-
Contribution to the General Fund of the City of San Jose (Note 7)	-	-	-	-	-	(309,000)	(309,000)
Transfer to debt service funds of the City of San Jose for retirement of principal of airport related general obligation debt (Note 2)	(199,665)	-	-	-	-	-	(199,665)
Contribution to fixed assets from the City of San Jose	398	-	-	-	-	-	398
Transfer from capital projects fund	-	-	-	-	-	6,513	6,513
Balance at June 30, 1977	<u>\$ 9,849,402</u>	<u>\$10,423,335</u>	<u>\$1,169,239</u>	<u>\$332,470</u>	<u>\$607,445</u>	<u>\$ 10,947</u>	<u>\$22,392,838</u>

See accompanying notes.

CITY OF SAN JOSE
SAN JOSE MUNICIPAL AIRPORT
STATEMENT OF CHANGES IN FINANCIAL POSITION
Years ended June 30, 1977 and 1976

	<u>1977</u>	<u>1976</u>
Working capital provided by:		
Operations:		
Net income	\$ 683,584	\$ 666,953
Add items not affecting working capital in the current period:		
Depreciation and amortization	734,525	710,315
Loss on write-off of equipment	<u>723</u>	<u>317</u>
Total working capital provided by operations	1,418,832	1,377,585
Proceeds from sale of property	121,484	102,234
Contributions from the federal government	2,440,806	35,987
Contribution from the City of San Jose	398	-
Decrease in long-term grants receivable from the federal government	-	422,619
Proceeds from issuance of 1976 series bonds	<u>4,000,000</u>	<u>-</u>
	<u>7,981,520</u>	<u>1,938,425</u>
Working capital applied to:		
Additions to property, plant and equipment	4,275,933	3,158,707
Contribution to the General Fund of the City of San Jose	309,000	407,000
Increase in bond discount	126,076	-
Increase in restricted cash	342,845	-
Payment of general obligation debt of the City of San Jose	199,665	24,990
Decrease in long-term debt, due after one year	195,000	125,000
Increase in long-term grants receivable from the federal government	<u>1,378,414</u>	<u>-</u>
	<u>6,826,933</u>	<u>3,715,697</u>
Increase (decrease) in working capital	<u><u>\$1,154,587</u></u>	<u><u>\$(1,777,272)</u></u>

See accompanying notes.

CITY OF SAN JOSE
SAN JOSE MUNICIPAL AIRPORT
STATEMENT OF CHANGES IN FINANCIAL POSITION (CONTINUED)
Years ended June 30, 1977 and 1976

	<u>1977</u>	<u>1976</u>
Changes in components of working capital:		
Increase (decrease) in current assets:		
Cash and investments	\$1,195,053	\$(1,796,711)
Accounts receivable	226,279	50,249
Inventory	5,850	(7,915)
Prepaid expenses	<u>10,522</u>	<u>(4,248)</u>
	<u>1,437,704</u>	<u>(1,758,625)</u>
Increase (decrease) in current liabilities:		
Accounts payable	131,267	20,922
Accrued interest	81,850	(7,275)
Current portion of long-term debt	<u>70,000</u>	<u>5,000</u>
	<u>283,117</u>	<u>18,647</u>
Increase (decrease) in working capital	<u><u>\$1,154,587</u></u>	<u><u>\$(1,777,272)</u></u>

See accompanying notes.

CITY OF SAN JOSE
SAN JOSE MUNICIPAL AIRPORT
NOTES TO FINANCIAL STATEMENTS
June 30, 1977 and 1976

1. Accounting policies

A. Basis of presentation

The funds included in San Jose Municipal Airport (the "Airport") financial statements are a part of the City of San Jose (the "City") and are used to account for the construction and operation of the Airport's facilities. Within legal restrictions imposed by bond resolutions and other contracts and laws, certain of the Airport's assets may be legally available for the payment of debts of the entire City, not solely those debts appearing on the accompanying balance sheet, and certain of its debts may result in claims against assets not appearing thereon.

Airport financing is provided primarily from charges to users of the Airport's facilities and, therefore, the Airport has been accounted for as an enterprise fund and has utilized the accrual basis of accounting in preparing the accompanying financial statements. The accrual basis is the method of accounting under which revenues are recorded when earned and expenditures are recorded as soon as they result in liabilities for benefits received, notwithstanding that the receipt of the revenue or the payment of the expenditure may take place, in whole or in part, in another accounting period.

Resolutions authorizing the issuance of outstanding notes and bonds payable (Note 5) require certain transactions to be made by a fiscal agent. The accompanying financial statements reflect the combined transactions of the Airport and the fiscal agent.

CITY OF SAN JOSE
SAN JOSE MUNICIPAL AIRPORT
NOTES TO FINANCIAL STATEMENTS
June 30, 1977 and 1976

1. Accounting policies (continued)

B. Cash and investments held in the City Treasury

Cash balances of each of the City's funds are pooled and invested by the City. Income earned from pooled investments is allocated to each of the funds based on the ending monthly cash balance of each fund.

Investments are comprised of time certificates of deposit, repurchase agreements, federal agency notes, and other short-term investments and are stated at cost, which approximates market.

C. Depreciation

Airport facilities are recorded at cost. Depreciation is provided on a straight-line method over estimated useful lives ranging from 5 to 35 years.

D. Amortization

Bond issuance costs are included in the balance sheet as other assets and are being amortized on a straight-line basis over the bond redemption period.

E. Inventories

Inventories are stated at the lower of first-in, first-out cost or market.

F. Encumbrances

Reserves for encumbrances are provided to reflect the Airport's obligation for goods and services (except payroll costs and interest) for which purchase orders or contracts have been executed during a budget year but the goods and services have not been received at the end of such year.

CITY OF SAN JOSE
SAN JOSE MUNICIPAL AIRPORT
NOTES TO FINANCIAL STATEMENTS
June 30, 1977 and 1976

1. Accounting policies (continued)

G. Retentions

Retentions on contracts payable are included in encumbrances until payment is made.

2. Series 1967 general obligation debt related to the Airport

The City has issued airport improvement bonds secured by the full faith and credit of the City. These bonds may be serviced by the proceeds of property taxes levied for that purpose or from any other available source and are recorded in the General Long-term Debt group of accounts of the City. Debt service for series 1967 airport improvement bonds through June 30, 1977 has been provided by the Airport and, in the opinion of the Airport's management, Airport revenues will be sufficient to provide future debt service. No property taxes have been levied for series 1967 airport improvement bond debt service.

Series 1967 City of San Jose airport improvement bonds outstanding at June 30, 1977 are as follows:

<u>Series</u>	<u>Percentage Interest Rate</u>	<u>Final Maturity Date</u>	<u>Annual Maturity</u>	<u>Principal Outstanding</u>
1967 A	3.00-4.50	1987	\$ 20,000	\$ 200,000
1967 B	4.00-5.50	1988	40,000	440,000
1967 C	4.25-5.75	1989	50,000	600,000
1967 D	5.80-6.00	1990	40,000	520,000
1967 E	4.00-6.00	1991	30,000	420,000
1967 F	4.00-6.00	1992	20,000	300,000
			<u>\$200,000</u>	<u>\$2,480,000</u>

CITY OF SAN JOSE
SAN JOSE MUNICIPAL AIRPORT
NOTES TO FINANCIAL STATEMENTS
June 30, 1977 and 1976

2. Series 1967 general obligation debt related to the Airport
(continued)

During fiscal year 1977, \$328,000 was transferred to the related debt service fund to meet the principal and interest requirements.

3. Restricted assets

Resolutions authorizing long-term debt described in Note 5 require certain amounts to be held in trust for the bond and note holders or spent only on authorized capital projects. Assets held at June 30, 1977 and 1976 are equal to or in excess of the amounts required and are as follows:

	Cash and Investments at Cost, Which Approximates Market	
	June 30, 1977	June 30, 1976
Current portion:		
Held by the City treasury (Note 1):		
Improvement bond fund	\$1,000,670	\$272,818
(construction cash)	46,200	47,750
Surplus revenue fund	1,046,870	320,568
Held by the fiscal agent:		
Bond interest fund	177,512	72,205
Bond principal fund	112,326	42,000
Total current portion	289,838	114,205
Noncurrent portion -		
Bond reserve fund, held in the		
City treasury (Note 1)	607,445	264,600
Total restricted assets	<u>\$1,944,153</u>	<u>\$699,373</u>

CITY OF SAN JOSE
SAN JOSE MUNICIPAL AIRPORT
NOTES TO FINANCIAL STATEMENTS
June 30, 1977 and 1976

4. Grants receivable from the federal government

Amounts recorded as grants receivable in the accompanying balance sheet are based upon actual project costs incurred through the respective balance sheet dates and gives effect to the applicable federal reimbursement percentage. Project costs are subject to audit by the Federal Aviation Agency to determine if they represent allowable costs as outlined in grant agreements. In the event project costs were to be disallowed, amounts recorded as grants receivable could be reduced. In the opinion of airport management, any such disallowances would not be material.

During fiscal 1977, \$1,062,392 in cash was received pursuant to grant agreements (\$458,606 in fiscal 1976).

At June 30, 1977 there existed approximately \$1,900,000 of additional costs which may be subject to reimbursement in future project grants and therefore have not been included in grants receivable.

5. Long-term debt

A. Revenue bonds

Resolution No. 45333 of the Council of the City of San Jose adopted March 12, 1974 (the "Resolution") authorized the issuance of \$3,000,000 airport revenue bonds and pledged all revenues derived directly or indirectly from the use and operation of the Airport to secure bond debt service. Revenues in excess of amounts required for bond debt service may be used for other purposes.

CITY OF SAN JOSE
SAN JOSE MUNICIPAL AIRPORT
NOTES TO FINANCIAL STATEMENTS
June 30, 1977 and 1976

5. Long-term debt (continued)

B. Revenue note

In 1966, the Airport issued a revenue note payable to a bank at 3-7/8% interest. Principal is payable in annual installments of \$40,000. Payments of principal and interest are secured by the pledge of the Airport's revenues (subordinate to revenue bonds and maintenance and operating expenses).

C. Airport long-term debt summary

	June 30,	
	1977	1976
Revenue bonds payable	\$6,835,000	\$2,920,000
Revenue note payable	160,000	200,000
	6,995,000	3,120,000
Less current portion	195,000	125,000
Noncurrent portion	<u>\$6,800,000</u>	<u>\$2,995,000</u>

6. Litigation

The City of San Jose is a defendant in 8 claims and suits for damages involving the Airport in the amount of \$1,286,834 which is insured.

In addition, there are 4 inverse condemnation and nuisance suits by property owners against the Airport which may have a totally uninsured exposure. These suits have a total exposure of \$10,070,000. One of these cases, the Bellarmine College case, with a demand of \$8,690,000, has been decided by the Trial Court in favor of the City, but is currently on appeal. One of these cases, Boggs v.

CITY OF SAN JOSE
SAN JOSE MUNICIPAL AIRPORT
NOTES TO FINANCIAL STATEMENTS
June 30, 1977 and 1976

6. Litigation (continued)

City, was originally a class action suit purportedly for a class of all persons in the "vicinity" of the Airport with a prayer of \$500,000,000. The Superior Court struck the class action allegations and there are now 10 remaining plaintiffs, with a realistic total demand of not exceeding \$500,000, which amount is included in the total for Airport inverse condemnation cases noted above. The City Attorney is unable to determine whether the Airport will ultimately sustain any material uninsured liability as a result of this litigation. The costs related to litigating these claims are classified as a nonoperating expense as incurred.

7. Commitments

Series 1957 and 1961 municipal improvement bonds issued by the City (and included as long-term debt of the City) included certain amounts for construction of airport facilities. Airport facilities financed from these bonds are included as property, plant and equipment on the accompanying balance sheet and were accounted for as contributions from the City when transferred to the Airport. In 1971, the Airport's management agreed to: (1) reimburse the City for the portion of debt service costs related to airport facilities financed with the proceeds of these series of bonds and paid by the City prior to 1971 and (2) contribute to the City amounts sufficient to cover current debt service. Reimbursement of debt service for years prior to 1971 is made on an as available basis. At June 30, 1977, approximately \$1,969,000 remained unpaid.

CITY OF SAN JOSE
SAN JOSE MUNICIPAL AIRPORT
NOTES TO FINANCIAL STATEMENTS
June 30, 1977 and 1976

7. Commitments (continued)

Amounts of principal and interest required to provide current debt service for these obligations decline annually from approximately \$268,000 for fiscal 1978 to approximately \$94,000 for fiscal 1983 when the last of the bonds mature. During fiscal 1977, an aggregate of \$309,000 was contributed to the City for reimbursement of current and prior year debt service on these bonds (\$407,000 in fiscal 1976).

CITY OF SAN JOSE
SAN JOSE MUNICIPAL AIRPORT
COMBINING BALANCE SHEET
June 30, 1977

	Combined	Operation and Maintenance Fund (No. 723)	Capital Improvement Fund (No. 709)	Special Aviation Fund (No. 428)	Revenue Fund (No. 721)	Bond Reserve Fund (No. 722)	Surplus Revenue Fund (No. 724)	Fiscal Agent Fund (No. 725)	1974 Airport Improvement Bond Fund (No. 726)	1967 Airport Improvement Bond Fund (No. 571)
<u>ASSETS</u>										
Current assets:										
Cash and investments at cost										
which approximates market:										
Held in the City treasury										
(Note 1):										
Unrestricted	\$ 2,317,459	\$ (44,574)	\$ 1,242,451	\$ 14,860	\$ 904,489	\$ -	\$ 81,869	\$ -	\$ -	\$ 118,464
Restricted (Note 3)	1,046,870	-	-	-	-	-	46,200	-	1,000,670	-
Held by fiscal agent -										
Restricted (Note 3)	289,838	-	-	-	-	-	-	289,838	-	-
Total cash and										
investments	3,654,167	(44,674)	1,242,451	14,860	904,489	-	128,069	289,838	1,000,670	118,464
Accounts receivable, net of										
allowance for doubtful										
accounts of \$4,900	620,535	-	-	-	620,535	-	-	-	-	-
Inventory (Note 1)	42,456	42,456	-	-	-	-	-	-	-	-
Prepaid expenses	40,788	40,788	-	-	-	-	-	-	-	-
Total current assets	4,357,946	38,570	1,242,451	14,860	1,525,024	-	128,069	289,838	1,000,670	118,464
Grants receivable from the										
federal government (Note 4)	1,710,370	-	1,710,370	-	-	-	-	-	-	-
Noncurrent portion of restricted										
assets (Note 3)	607,445	-	-	-	-	607,445	-	-	-	-
Property, plant and equipment										
(Note 1):										
Land	11,861,887	-	11,861,887	-	-	-	-	-	-	-
Buildings and improvements	17,016,389	-	17,016,389	-	-	-	-	-	-	-
Equipment	843,299	-	843,299	-	-	-	-	-	-	-
29,721,575										
Less accumulated depreciation	6,726,952	-	6,726,952	-	-	-	-	-	-	-
Net property, plant										
and equipment	22,994,623	-	22,994,623	-	-	-	-	-	-	-
Other assets	209,389	-	38,553	-	-	-	368	-	170,468	-
	<u>\$29,879,773</u>	<u>\$ 38,570</u>	<u>\$25,985,997</u>	<u>\$ 14,860</u>	<u>\$1,525,024</u>	<u>\$ 607,445</u>	<u>\$ 128,437</u>	<u>\$ 289,838</u>	<u>\$1,171,138</u>	<u>\$ 118,464</u>

See notes to financial statements.

CITY OF SAN JOSE
SAN JOSE MUNICIPAL AIRPORT
COMBINING BALANCE SHEET
June 30, 1977

	Combined	Operation and Maintenance Fund (No. 723)	Capital Improvement Fund (No. 709)	Special Aviation Fund (No. 428)	Revenue Fund (No. 721)	Bond Reserve Fund (No. 722)	Surplus Revenue Fund (No. 724)	Fiscal Agent Fund (No. 725)	1974 Airport Improvement Bond Fund (No. 726)	1967 Airport Improvement Bond Fund (No. 571)
<u>LIABILITIES AND ENTERPRISE EQUITY</u>										
Current liabilities:										
Accounts payable and accrued liabilities	\$ 347,844	\$ 344,989	\$ 727	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,962	\$ 166
Payable from restricted assets:										
Accrued interest	144,091	-	-	-	-	-	-	144,091	-	-
Current portion of long-term debt (Note 5)	195,000	-	-	-	-	-	40,000	155,000	-	-
Total current liabilities	686,935	344,989	727	-	-	-	40,000	299,091	1,962	166
Long-term debt due after one year (Note 5)	6,800,000	-	-	-	-	-	120,000	6,680,000	-	-
Enterprise equity:										
Contributions:										
From the City of San Jose (Notes 2 and 7)	9,849,402	-	9,430,325	-	-	-	-	-	-	419,077
From federal and state agencies	10,423,335	-	10,364,489	-	-	-	-	-	-	58,846
Total contributions	20,272,737	-	19,794,814	-	-	-	-	-	-	477,923
Reserves:										
For encumbrances (Note 1)	1,169,239	31,542	477,856	-	-	-	-	-	594,190	65,651
For current debt service	332,470	-	-	-	-	-	46,200	286,270	-	-
For future debt service (Note 3)	607,445	-	-	-	-	607,445	-	-	-	-
Total reserves	2,109,154	31,542	477,856	-	-	607,445	46,200	286,270	594,190	65,651
Retained earnings (deficit) (Notes 1 and 6)	10,947	(337,961)	5,712,600	14,860	1,525,024	-	(77,763)	(6,975,523)	574,986	(425,276)
Total enterprise equity	22,392,838	(306,419)	25,985,270	14,860	1,525,024	607,445	(31,563)	(6,689,253)	1,169,176	118,298
	<u>\$29,879,773</u>	<u>\$ 38,570</u>	<u>\$25,985,997</u>	<u>\$ 14,860</u>	<u>\$1,525,024</u>	<u>\$ 607,445</u>	<u>\$ 128,437</u>	<u>\$ 289,838</u>	<u>\$1,171,138</u>	<u>\$ 118,464</u>

See notes to financial statements.

CITY OF SAN JOSE
SAN JOSE MUNICIPAL AIRPORT
COMBINING STATEMENT OF INCOME (LOSS)
Year ended June 30, 1977

	Combined	Operation and Maintenance Fund (No. 723)	Capital Improvement Fund (No. 709)	Special Aviation Fund (No. 428)	Revenue Fund (No. 721)	Bond Reserve Fund (No. 722)	Surplus Revenue Fund (No. 724)	Fiscal Agent Fund (No. 725)	1974 Airport Improvement Bond Fund (No. 726)	1967 Airport Improvement Bond Fund (No. 571)
Revenues:										
Main terminal area related revenues:										
Main terminal area	\$ 753,015	\$ -	\$ -	\$ -	\$ 753,015	\$ -	\$ -	\$ -	\$ -	\$ -
Baggage claim	115,726	-	-	-	115,726	-	-	-	-	-
	<u>868,741</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>868,741</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Petroleum product sales	6,187,192	-	-	-	6,187,192	-	-	-	-	-
Concessions	2,448,436	-	-	-	2,448,436	-	-	-	-	-
Flight area	968,820	-	-	-	968,820	-	-	-	-	-
General aviation area	327,165	-	-	-	327,165	-	-	-	-	-
Total operating revenues	<u>10,800,354</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,800,354</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Nonoperating revenue:										
Interest (Note 1)	261,551	-	48,108	599	71,775	-	11,360	7,384	114,944	7,381
Land and building rent	116,187	-	1,844	-	114,343	-	-	-	-	-
Other	14,904	5,308	35	5,000	4,561	-	-	-	-	-
Total nonoperating revenue	<u>392,642</u>	<u>5,308</u>	<u>49,987</u>	<u>5,599</u>	<u>190,679</u>	<u>-</u>	<u>11,360</u>	<u>7,384</u>	<u>114,944</u>	<u>7,381</u>
Total revenues	<u>11,192,996</u>	<u>5,308</u>	<u>49,987</u>	<u>5,599</u>	<u>10,991,033</u>	<u>-</u>	<u>11,360</u>	<u>7,384</u>	<u>114,944</u>	<u>7,381</u>
Costs and expenses:										
Main terminal area	812,906	812,906	-	-	-	-	-	-	-	-
Cost of petroleum products sold	5,727,630	5,727,630	-	-	-	-	-	-	-	-
Concessions	362,424	362,424	-	-	-	-	-	-	-	-
Flight area	873,752	873,752	-	-	-	-	-	-	-	-
General aviation area	175,652	175,652	-	-	-	-	-	-	-	-
Mechanical and electrical	188,120	188,120	-	-	-	-	-	-	-	-
General and administrative	1,034,106	1,034,106	-	-	-	-	-	-	-	-
Depreciation (Note 1)	728,886	-	728,886	-	-	-	-	-	-	-
Total operating costs and expenses	<u>9,903,476</u>	<u>9,174,590</u>	<u>728,886</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Nonoperating expenses:										
Interest	538,638	-	128,335	-	-	-	7,750	402,553	-	-
Litigation	17,146	-	17,146	-	-	-	-	-	-	-
Other	50,152	35,941	723	-	7,807	-	-	42	5,639	-
Total nonoperating expenses	<u>605,936</u>	<u>35,941</u>	<u>146,204</u>	<u>-</u>	<u>7,807</u>	<u>-</u>	<u>7,750</u>	<u>402,595</u>	<u>5,639</u>	<u>-</u>
Total costs and expenses	<u>10,509,412</u>	<u>9,210,531</u>	<u>875,090</u>	<u>-</u>	<u>7,807</u>	<u>-</u>	<u>7,750</u>	<u>402,595</u>	<u>5,639</u>	<u>-</u>
Net income (loss)	<u>\$ 683,584</u>	<u>\$ (9,205,223)</u>	<u>\$ (825,103)</u>	<u>\$ 5,599</u>	<u>\$10,983,226</u>	<u>\$ -</u>	<u>\$ 3,610</u>	<u>\$ (395,211)</u>	<u>\$ 109,305</u>	<u>\$ 7,381</u>

See notes to financial statements.

CITY OF SAN JOSE
SAN JOSE MUNICIPAL AIRPORT
COMBINING STATEMENT OF CHANGES IN FINANCIAL POSITION
Year ended June 30, 1977

	Combined	Operation and Maintenance Fund (No. 723)	Capital Improvement Fund (No. 709)	Special Aviation Fund (No. 428)	Revenue Fund (No. 721)	Bond Reserve Fund (No. 722)	Surplus Revenue Fund (No. 724)	Fiscal Agent Fund (No. 725)	1974 Airport Improvement Bond Fund (No. 726)	1967 Airport Improvement Bond Fund (No. 571)
Working capital provided by:										
Net income (loss)	\$ 683,584	\$(9,205,223)	\$ (825,103)	\$ 5,599	\$10,983,226	\$ -	\$ 3,610	\$ (395,211)	\$ 109,305	\$ 7,381
Add items not affecting working capital in the current period:										
Depreciation and amortization	734,525	-	728,886	-	-	-	-	-	5,639	-
Loss on write-off of equipment	723	-	723	-	-	-	-	-	-	-
Total working capital provided by operations	1,418,832	(9,205,223)	(95,494)	5,599	10,983,226	-	3,610	(395,211)	114,944	7,381
Proceeds from sale of property	121,484	-	1,218	-	-	-	-	-	120,266	-
Contribution from the federal government	2,440,806	-	2,440,806	-	-	-	-	-	-	-
Contribution from the City of San Jose	398	-	398	-	-	-	-	-	-	-
Proceeds from issuance of 1976 series bonds	4,000,000	-	-	-	-	-	-	-	4,000,000	-
	7,981,520	(9,205,223)	2,346,928	5,599	10,983,226	-	3,610	(395,211)	4,235,210	7,381
Working capital applied to:										
Additions to property, plant and equipment	4,275,933	-	4,275,933	-	-	-	-	-	-	-
Contribution to the General Fund of the City of San Jose	309,000	-	-	-	-	-	309,000	-	-	-
Increase in bond discount	126,076	-	-	-	-	-	-	-	126,076	-
Increase in restricted cash	342,845	-	-	-	-	342,845	-	-	-	-
Payment of general obligation debt of the City of San Jose	199,665	-	199,665	-	-	-	-	-	-	-
Decrease in long-term debt, due after one year	195,000	-	-	-	-	-	40,000	155,000	-	-
Increase in long-term grants receivable from the federal government	1,378,414	-	1,378,414	-	-	-	-	-	-	-
Interfund transfers, net (source) applications	-	(9,040,528)	(4,086,088)	-	10,600,989	(342,845)	17,533	(573,994)	3,382,047	42,886
	6,826,933	(9,040,528)	1,767,924	-	10,600,989	-	366,533	(418,994)	3,508,123	42,886
Increase (decrease) in working capital	\$ 1,154,587	\$ (164,695)	\$ 579,004	\$ 5,599	\$ 382,237	\$ -	\$ (362,923)	\$ 23,783	\$ 727,087	\$ (35,505)

See notes to financial statements.

CITY OF SAN JOSE
SAN JOSE MUNICIPAL AIRPORT
COMBINING STATEMENT OF CHANGES IN FINANCIAL POSITION
Year ended June 30, 1977

	Combined	Operation and Maintenance Fund (No. 723)	Capital Improvement Fund (No. 709)	Special Aviation Fund (No. 428)	Revenue Fund (No. 721)	Bond Reserve Fund (No. 722)	Surplus Revenue Fund (No. 724)	Fiscal Agent Fund (No. 725)	1974 Airport Improvement Bond Fund (No. 726)	1967 Airport Improvement Bond Fund (No. 571)
Changes in components of working capital:										
Increase (decrease) in current assets:										
Cash and investments	\$ 1,195,053	\$ (50,587)	\$ 578,897	\$ 5,599	\$ 155,958	\$ -	\$ (362,923)	\$ 175,633	\$ 727,852	\$ (35,376)
Accounts receivable	226,279	-	-	-	226,279	-	-	-	-	-
Inventory	5,850	5,850	-	-	-	-	-	-	-	-
Prepaid expenses	10,522	10,522	-	-	-	-	-	-	-	-
	<u>1,437,704</u>	<u>(34,215)</u>	<u>578,897</u>	<u>5,599</u>	<u>382,237</u>	<u>-</u>	<u>(362,923)</u>	<u>175,633</u>	<u>727,852</u>	<u>(35,376)</u>
Increase (decrease) in current liabilities:										
Accounts payable	131,267	130,480	(107)	-	-	-	-	-	765	129
Accrued interest	81,850	-	-	-	-	-	-	81,850	-	-
Current portion of long-term debt	70,000	-	-	-	-	-	-	70,000	-	-
	<u>283,117</u>	<u>130,480</u>	<u>(107)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>151,850</u>	<u>765</u>	<u>129</u>
Increase (decrease) in working capital	<u>\$ 1,154,587</u>	<u>\$ (164,695)</u>	<u>\$ 579,004</u>	<u>\$ 5,599</u>	<u>\$ 382,237</u>	<u>\$ -</u>	<u>\$ (362,923)</u>	<u>\$ 23,783</u>	<u>\$ 727,087</u>	<u>\$ (35,505)</u>

See notes to financial statements.

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